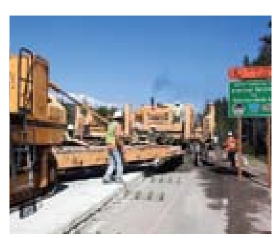
CALIFORNIA

Recovery Act Oversight Plan

1.2010

California Recovery Task Force | Office of Governor Arnold Schwarzenegger



Dear fellow Californians,

Just three weeks into his term, President Obama signed into law the American Recovery and Reinvestment Act of 2009, providing an unprecedented level of economic stimulus funding. Never before have recipients of federal spending been required to report on the use of the funds in such a transparent or timely manner, marking a historic moment in bringing greater accountability to federal spending. But this unprecedented transparency and reporting required a tremendous effort on the part of the federal government and every state to develop, evolve and conquer challenges to meet these high expectations.

This report will provide you with important information on California's efforts to implement the Recovery Act: how California has spent and put recovery money to work; an overview of reporting requirements and their required implementation; and efforts made to provide transparent reporting and access to data. This report is part of our continued and evolving commitment to provide extraordinary transparency and to ensure federal stimulus dollars are used efficiently to create jobs and jumpstart our economy.

The American Recovery and Reinvestment Act presents enormous opportunities for California. I hope you find this information useful as we continue to work together to move California forward.

Sincerely,

Cynthia Bryant

Cynthia Bryant
Deputy Chief of Staff and Director of the Governor's Recovery Task Force

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Executive Summary

Facing the worst economic environment since the Great Depression, the federal government responded by enacting the American Recovery and Reinvestment Act (Recovery Act) in February 2009. The Recovery Act is an unprecedented $787 billion effort to stimulate the nation's economy, create jobs and improve the country's infrastructure. The Recovery Act:

- Provides $288 billion in tax cuts and benefits for millions of working families and businesses.
- Increases federal funds for education and health care as well as entitlement programs (such as extending unemployment benefits) by $224 billion.
- Provides $275 billion for federal contracts, grants and loans for a wide variety of programs, including transportation, energy efficiency, environmental protection, housing and public safety.
- Requires unprecedented levels of accountability and transparency in the expenditure of public funds, including regular reporting by recipients of Recovery Act funds on the amount of funds spent, the status of projects, the number of jobs created or saved and other details.

The Recovery Act contains some 220 funding programs which are administered by 28 separate federal agencies. The funding recipients include state and local governments, private organizations, businesses and individuals. The scope and size of the Act presented the federal agencies and the recipients of Recovery Act funds with major implementation challenges. These challenges are magnified by the need to disburse the funds as quickly as possible in an effort to stimulate the economy.

California state government entities—34 different departments—are eligible to participate in approximately 60 of the Recovery Act programs. Some of these programs are exclusive to state government, while others are open on a competitive basis to the state and non-state government entities. As of September 30, 2009, these 34 different departments and state entities have been awarded $20.7 billion; of which $8.1 billion have been for entitlement programs and $12.6 billion have been awarded for federal contracts, grants and loans.State government entities will eventually receive an estimated $28.6 billion from the Recovery Act. The bulk of that funding is in turn distributed out to local governments, school districts, private organizations and individuals.

State government entities will eventually receive an estimated $28.6 billion from the Recovery Act.

Governor Schwarzenegger committed that California would achieve maximum benefit from the Recovery Act. He directed state departments and agencies to immediately gear up to prepare the best applications for Recovery Act funds to ensure a significant impact. This led to a number of coordinated efforts from state government entities ranging from swift regulatory and statutory changes, to using other state, local and federal resources to leverage additional Recovery Act dollars and assisting non-profit and local government entities on joint applications.

Highlights of benefits to California from Recovery Act funds include:

- Serving an estimated 303,474 new patients, 148,376 who are uninsured, with expanded Community Health Center services.
- Reducing the backlog of clean drinking water projects by 52.
- Repairing or rehabilitating 400 center line miles of roadway.
- Placing 40,000 young people in summer jobs.
- Rehabilitating or replacing seven bridges.
- Distributing over $8.3 million to 38 local health departments and clinics to vaccinate more of California’s children.
- Helping 1,500 at-risk young adults through the Green Jobs Corps.
- Delivering warm meals to approximately 650,092 seniors in congregate facilities and 476,773 house bound seniors; meals they would not have otherwise received.
- Outfitting 42 Department of Rehabilitation branch and district offices with assistive technology to allow deaf and hard of hearing consumers easier access to learning about employment opportunities.
- Providing grants to 1,751 California universities, laboratories and companies from the National Institutes of Health for medical research and innovations.

Accountability and transparency are central features of the Recovery Act. The implementation challenges of complying with the Act's substantial reporting and oversight requirements mirror the challenges of implementing its program funding opportunities. To address these challenges, California state government established an accountability framework comprised of four organizational components the California Recovery Task Force, the Recovery Act Inspector General, the Bureau of State Audits and the State Controller.

California Recovery Task Force

Governor Schwarzenegger established the California Recovery Task Force (CRTF) by Executive Order in March 2009. The CRTF is responsible for general oversight of the implementation and accountability of Recovery Act funds received by state entities. In addition, the CRTF is tasked by the Governor with facilitating maximum use of Recovery Act funds by non-state entities and for tracking all funding activity in California, regardless of whether it was administered by state government.

The CRTF is led by the Governor's Deputy Chief of Staff and Director of the Governor's Office of Planning and Research. The members of the CRTF include a dozen representatives from the state departments most involved in the Recovery Act implementation. Major responsibilities and accomplishments of the task force include the following:

Transparency. The CRTF established a website (recovery.ca.gov) dedicated to providing the public with information about how Recovery Act funds are being expended. The website includes not only the information specifically required to be reported to the federal government, but substantially more information about the Recovery Act as well. The website contains over 900 pages and 155 documents that provide information on the uses, status and outcomes of Recovery Act funds; information about the readiness and internal accountability controls of the departments administering the funds; links to job opportunities and opportunities to bid on state contracts; and other information.

Reporting. The CRTF, with the assistance of Office of the Chief Information Officer (OCIO) created and deployed a central information technology system for state departments to report data on their spending as prescribed by the federal Office of Management and Budget (OMB). During the first quarterly reporting period in October 2009, the CRTF collected some 300,000 data elements from state departments and reported them to the federal government. To assist departments in the complicated and often changing OMB reporting requirements, a help desk was established to provide departments with technical assistance on the reporting process. During the first reporting period in late October 2009, the help desk fielded 1,747 calls and 6,364 emails. The CRTF also acted as a clearinghouse for communication between the federal and state entities involved in the reporting process. This clearinghouse function handled 790 questions and problems that arose between the various state and federal agencies and had to be resolved within a one week window during the reporting period.

Outreach and Leadership. The CRTF has initiated or participated in scores of outreach and stakeholder meetings with governmental, non-profit and private business groups to explain Recovery Act opportunities and to emphasize the importance of accountability that accompanies those opportunities. Over 2,800 people attended these meetings. Meetings with organizations representing minority, disabled and small business owners comprised roughly half of this attendance number. In addition, the leadership of the CRTF has been visible and active on the national level, participating with various national associations and interacting with federal officials on Recovery Act issues.

Guidance and Directives. In addition to its members meeting twice weekly to share information and coordinate activities, the CRTF provides guidance to the administering departments on the accountability and reporting requirements of the Recovery Act. Formal bulletins are issued to ensure departments are aware of critical features of the Act and important deadlines, and to direct departments to adhere to significant best practices and federal requirements. To date, the CRTF has issued 30 such bulletins.

Recovery Act Inspector General

The Governor created the position of California Recovery Act Inspector General (IG) through Executive Order in April 2009. The Executive Order identifies the IG as an independent entity with the mission to protect the integrity and accountability of the expenditure of Recovery Act funds by preventing and detecting fraud, waste and misconduct in use of those funds. The IG will present independent and objective reports to the Governor, the Legislature and the federal agencies responsible for Recovery Act oversight.

Rather than duplicate the audit efforts of the state's other auditing entities, such as the Bureau of State Audits (BSA) and the State Controller's Office (SCO), the IG will focus on preventive measures and follow-up to ensure departments and other recipients are taking appropriate and timely corrective actions. The IG's mandate to detect and disclose fraud, waste and abuse occurring in Recovery Act funded activities will rely on audits, reviews and investigations revealed by any source, including its own efforts, BSA and SCO audits.

Highlights of the IG's activity to date include:

- Established a website that provides information on the office, fraud detection, reporting and whistleblower protections. The website also contains links to other Recovery Act related sites with an emphasis on fraud prevention and detection.
- Coordinated fraud prevention and detection training events for state and local agencies, as well as the service provider community, with presentations from federal agencies on measures to avoid problems and prevent fraud, waste and abuse. Over 1,000 state and local agency staff attended seven events throughout the state. The event was also available through a webinar.
- Collected and reviewed summary information from 34 Recovery Act departments regarding:
    - Overarching goals guiding their Recovery Act expenditures and disbursements.
    - Criteria used to ensure funds are spent consistent with the Recovery Act requirements and consistent with CRTF guidance.

- » Plans to ensure funds are not lost to fraud, waste and abuse.
- » Actions taken to ensure the Recovery Act activities are transparent.

- Tracked and responded to inquiries and complaints received on the IG's website. To date, the IG has received approximately 70 inquiries.

Bureau of State Audits

The Bureau of State Audits (BSA) is statutorily responsible for annually conducting California's statewide Single Audit. The Single Audit is a combination of the independent audit of the state's basic financial statements (prepared by the State Controller) and the independent audit of federal programs administered by various state agencies. The federal government requires each state to annually prepare a Single Audit of all major federal programs. Because it is impractical to do an audit of all federal funds annually, the federal guidelines direct states to focus on high-risk federal programs.

As a part of its responsibility to perform the state's traditional Single Audit, the BSA will be responsible for conducting the statewide audit for select Recovery Act funding. However, this process has been accelerated to provide needed information more timely and because the federal government is considering the acceleration of this process. The BSA is focusing on areas where there are known internal control and compliance weaknesses regarding internal controls based on previous Single Audit work.

Highlights of the BSA's current and planned future activities include:

- Perform risk assessments, including a review of financial data from the http://www.recovery.ca.gov website, guidance from OMB, federal reports and registers and prior Single Audit reports to identify programs for further review.
- Conduct early testing of internal controls and preparedness reviews at departments determined to be at risk for mismanaging Recovery Act funds.
- Participate in the OMB pilot program using the approach developed by the BSA for early testing and reviews previously described.
- Review the data on local agency Single Audit findings reported by the SCO to assist in determining if state departments that administer federal awards are complying with sub-recipient monitoring activities.
- Accelerate the traditional Single Audit activities by starting the next cycle—covering fiscal year 2009–10 federal awards—as early as January 2010, about seven months earlier than in prior years to meet an expected new reporting deadline of December 2010.
- Revise the BSA's website to allow the Legislature, state agencies, other audit entities and the public greater access to Single Audit and Recovery Act information.
- Investigate or refer to the appropriate federal entity reports received under the California Whistleblower Protection Act alleging fraud, waste and abuse of Recovery Act funds.

State Controller's Office

The State Controller's Office (SCO) is primarily responsible for provision of sound fiscal control over both receipts and disbursements of public funds and to report periodically on the financial operations and condition of both state and local government. To that end, the SCO performs financial audits of federal and state funds in connection with SCO's central disbursing function—claim audits. The SCO is the primary state agency that conducts audits of local entities as needed in connection with locals' receipt of funds from the state.

The SCO has a significant role in the state's overall accountability responsibilities because a substantial portion of the funding received by the state will be awarded to sub-recipients who are primarily local governments.

Highlights of the SCO's current and planned activities include:

- Add new revenue and account coding to track Recovery Act funds separately from other federal funds as required under the Act.
- Conduct a review of audit findings of local agencies and local education agencies (LEAs) from prior years to assess where there are existing weaknesses in internal controls and where there is a high-risk of significant future audit findings.
- Issue advisories to local governments, LEAs and companies that perform single audits to address Recovery Act requirements for audits of 2008–09 expenditures.
- Modify single audit process related to local governments to include Recovery Act components and reporting requirements.
- Prepare the report of local government single audit findings and submit to the BSA for their review as part of the statewide Single Audit process.
- Expand existing claim audit reviews to separately identify Recovery Act expenditure claims to prevent fraud, waste and abuse. This will result in an additional 12,000 claim schedules requiring review before a disbursement of funds.
- Use data in claim audits to identify trends that will, together with information from single audits and other sources, assist in identifying high value field audit targets.
- Perform field audits as warranted based on trend indicators or other sources of information.
- Collect, review, compile and publish Recovery Act revenue and expenditure data reported by California local government entities including cities, counties, special districts, redevelopment agencies, transit districts and transportation planning agencies. While an abundance of detailed Recovery Act project data is available on the federal government's recovery website and the state's recovery site, the impact and the significance of the amount of all Recovery Act awards to each local governmental entity within California is not included in any consolidated format by entity or by entity type that will be useful for financial analysis. This data

collection effort will be done in coordination with the CRTF, building off of its central data reporting system, the California ARRA Accountability Tool (CAAT), to the extent possible and not duplicating data collection and reporting systems.

Oversight Costs

Accountability and transparency are central features of the Recovery Act. So much so that the Act provides nearly a third of a billion dollars for federal oversight agencies to ensure accountability and provide public access to information on Recovery Act funding. The Act, however, provides **no** funds for state accountability and transparency costs. Recognizing the seriousness of this issue for states across the country whose budget situations make it difficult for them to take on major new expenses, the OMB authorized states to use up to 0.5 percent of certain Recovery Act funds to defray the costs of central oversight and auditing activities. Limitations exist on the applicability of this authorization, however, and California will not be able to recover its full accountability and transparency costs.

Approximately $13.8 million of the total $22.2 million in oversight costs will be recovered through the Recovery Statewide Cost Allocation Plan.

Actual and planned expenditures for the state's four oversight entities for fiscal years 2008–09 through 2010–11 total $22.2 million, 0.03 percent of the total Recovery Act funds estimated for California. Expenditures for 2008–09 were approximately $1.1 million. These expenses will be absorbed by the various departments that directed staff to critical start-up activities. Estimated costs for 2009–10 are $10.6 million, approximately $5 million greater than the funding authorized in the Amended 2009 Budget Act. The entire $10.6 million will be recoverable through the administrative charges to Recovery Act award amounts. Finally, estimated costs for 2010–11 are $10.5 million and are reflected in the Governor's 2010–11 Proposed Budget. Approximately $13.8 million of the total $22.2 million in oversight costs will be recovered through the Recovery Statewide Cost Allocation Plan. The Administration proposes that the remainder be funded from the General Fund because of the general and statewide benefit of the oversight activity as well as the broad benefits to the General Fund from more than $8 billion in direct federal relief to programs previously funded from the General Fund. Overall, 62 percent of the total three-year costs are funded by federal Recovery Act funds.

Failure to fund the continued efforts of the four oversight entities would have serious consequences for the state. According to OMB Memorandum 09-21, federal agencies may on a case-by-case basis terminate, suspend or disqualify existing and future federal funding for failure to comply with Recovery Act reporting and transparency requirements. The absence of funding for these efforts could increase the likelihood of fraud, waste and abuse of public funds. In addition, failure to continue to meet federal mandates for accountability could result in California being ineligible for Recovery Act funding yet to be awarded, and could even result in federal penalties requiring the reimbursement of funds already awarded.

Overview of the American Recovery and Reinvestment Act

Its Purpose

On February13, 2009, Congress passed the American Recovery and Reinvestment Act of 2009 (Recovery Act) and President Obama signed it into law four days later. The Act was a direct response to the nation's economic crisis and represented the largest federal economic stimulus effort since the Great Depression. The goals of the Recovery Act are:

- To preserve and create jobs and promote economic recovery.
- To assist those most impacted by the recession.
- To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
- To invest in transportation, environmental protection and other infrastructure that will provide long-term economic benefits.
- To stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.[1]

The Recovery Act intends to achieve those goals by:

- Providing $288 billion in tax cuts and benefits for millions of working families and businesses.
- Increasing federal funds for education and health care as well as entitlement programs (such as extending unemployment benefits) by $224 billion.

1 U.S. Congress. "American Recovery and Reinvestment Act of 2009."
http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h1enr.pdf (30 September 2009).

- Making $275 billion available for federal contracts, grants and loans covering a variety of programs.
- Requiring recipients of Recovery Act funds to report quarterly on the amount of funds spent, the status of projects, the number of jobs created or saved and other details. All of this information is posted on recovery.gov so that the public can track where the total $787 billion Recovery funds are going and how they are being spent.

Its Size

Of the $787 billion, approximately $499 billion will be for programs administered by the federal government, state governments, local governments and private organizations. The remaining $288 billion is for direct tax relief to individuals and business. California's initial estimated share of the total Recovery Act funds was over $85 billion, representing more than 10 percent of the funds available nationally (see Appendix A-3). Initial estimates indicate approximately $55 billion would be provided to California state and local governments, non-profits, local education agencies and private companies through spending programs and the remaining $30 billion to individuals and businesses in the form of direct tax relief.

For perspective on the magnitude estimated for California, the $55 billion that will be awarded to state and local governments is equivalent to nearly two-thirds of the state General Fund budget. California's share of the Recovery Act funding is also larger than the annual General Fund budgets of all but two states (Texas and New York).

Its Accountability Features

Overarching the Act's many funding allocations are provisions mandating transparency and accountability, and the prevention, detection and elimination of fraud, waste and abuse. The seriousness of this overarching theme within the Recovery Act is highlighted by the Act's provisions allocating $325 million for the accountability and transparency efforts of federal oversight agencies. These agencies include various federal Offices of Inspectors General, the Government Accountability Office (GAO), and a new Recovery Accountability and Transparency Board (RATB), which was established to coordinate and facilitate executive branch Offices of Inspectors General oversight. Among its other responsibilities, the RATB is tasked with establishing a public website (http://www.recovery.gov) that will enable the public to see in detail where and how Recovery Act funds are spent. To achieve this level of accountability and transparency, the recipients of Recovery Act funds are responsible for providing large amounts of detailed information into a RATB data management system which supplies the content for the http://www.recovery.gov website.

The Recovery Act contains various reporting requirements for federal agencies and entities that are recipients of Recovery Act funds. The requirement of greatest significance to most recipients is Section 1512 of the Act. Section 1512 lists nine general data elements that recipients must report regarding their awards on a quarterly basis. However, as implemented through directives issued by the federal Office of Management and Budget (OMB), these nine general elements translate into 97 specific data elements that must be applied to the hundreds of grants received by the state. This is the information that is to be reported into RATB.

Under the Act, some funding is not subject to Section 1512 reporting; a significant example of this is the additional funding provided to states through Federal Medical Assistance Percentages (FMAP), which is the amount of federal funding provided for health and social programs such as Medical. This funding was simply an increase in the federal share of Medicaid, which is jointly funded by the federal government and state governments. This increase in federal funding was simply a way of allowing states to reduce their share of support for the program and thus provide relief to state budgets (see Appendix A-1, page 93, for more information on reporting).

From the state's perspective, the reporting of Recovery Act spending falls into one of four groups, or quadrants. (see Figure I-1)

- Funding received by state government and subject to the detailed reporting requirements of Section 1512 (Quadrant I).
- Funding received by state government, but not subject to Section 1512 (Quadrant III).
- Funding received by a non-state entity (e.g. a local government), but subject to Section 1512 (Quadrant II).
- Funding received by a non-state entity and not subject to Section 1512 (Quadrant IV).

The matrix below illustrates these four quadrants of reporting and lists example programs in each quadrant. Figures included in the matrix reflect total estimated Recovery Act funding for the life of the Act and actual awards as of September 30, 2009.

	State Government	Other Entities in California
Section 1512 Reportable	***Quadrant I*** ***$12.6** Billion Awarded* ***$14.2** Billion Estimated* **Representative Programs** - State Fiscal Stabilization Fund - Highway Infrastructure Investments - Workforce Investment Act (WIA)	***Quadrant II*** ***$5.9** Billion Awarded* ***$14.6** Billion Estimated* **Representative Programs** - Research – NSF & NIH - Community Health Centers - Transit Capital Assistance
Section Non-1512 Reportable	***Quadrant III*** ***$8.1** Billion Awarded* ***$14.4** Billion Estimated* **Representative Programs** - Unemployment Insurance - Medicaid - Temporary Assistance for Needy Families (TANF)	***Quadrant IV*** ***$8.5** Billion Awarded* ***$42.8** Billion Estimated* **Representative Programs** - Consolidated Omnibus Budget Reconciliation Act (COBRA) - One-Time Economic Recovery Payments - Federal Offices of the Inspectors General -Tax Relief

Figure I-1

Its Complexity

The magnitude of the Act's funding is matched by the magnitude of its scope and complexity. The funding contains 300 separate funding provisions, tracked as 220 allocations or programs. Some of it is to be spent directly by federal agencies on federal projects (e.g., deferred maintenance in a federal park). Some of it is to be awarded to states on a formula basis (e.g., increasing the share of Medicaid expenses paid by the federal government). Some is awarded on a competitive grant basis, in which state and local governments as well as non-governmental organizations compete with each other nationwide.

The 300 separate funding provisions in the Act are to be administered by 28 different federal agencies. Each of the 220 allocations has its own set of rules and guidelines for awards. At the time the Act became law, some of the programs funded by these allocations were entirely new, and no guidelines or criteria existed. For these new programs, federal agencies needed to quickly develop criteria and guidelines. Similarly, the applicants to these programs often had to establish new programs of their own to be eligible to apply.

In addition, the Act contains provisions requiring unprecedented levels of reporting on federal expenditures to ensure public transparency in how the funding is being spent and to mitigate fraud, waste and abuse. These reporting requirements are elemental to the Act and appropriate public policy, but they have also created unprecedented levels of complexity in tracking spending, collecting information and reporting data.

The complexity of the Recovery Act reporting is illustrated in the following example. Under the Act, an entity that receives an award for program funding from one of the administering federal agencies is called a "prime recipient". For instance, the Department of Public Health received a grant award for immunizing low-income children and adults against vaccine-preventable diseases. In many programs, these prime recipients send award funding out to other entities on a competitive or formula basis to implement programmatic objectives. Those other entities are designated as "sub-recipients". In this case, the Department of Public Health awarded some of its funding to the County of Sacramento to carry out regional vaccinations, making the County a sub-recipient. In addition to "recipients" and "sub-recipients", the Act defines and requires tracking of "vendors". A vendor would be a person or business that provides goods or services to the prime or sub-recipient to carry out its program. Continuing this example, a pharmaceutical company that provides vaccine material to the state would be a vendor.

Of the 220 programs in the Recovery Act, California state government is eligible to participate in 60 of them. The number of prime recipients, sub-recipients and vendors for the many Recovery Act programs implemented through California state government number over a thousand. The data dictionary published by the federal government describing the data elements that must be collected and reported for the Recovery Act contains 66 recipient data elements, 26 sub-recipient data elements and 5 vendor data elements. Multiplied by the number of prime, sub- and vendor recipients, the amount of data to be reported is massive. To comply with requirements for the first reporting period under the Recovery Act, CRTF uploaded over 300,000 data elements into the federal reporting system in October 2009. These numbers reflect only the data collected in Quadrant I of Figure I-1. They do not include expenditures for the programs that fall into Quadrants II, III and IV, such as increased unemployment benefits or individuals and businesses that received tax relief.

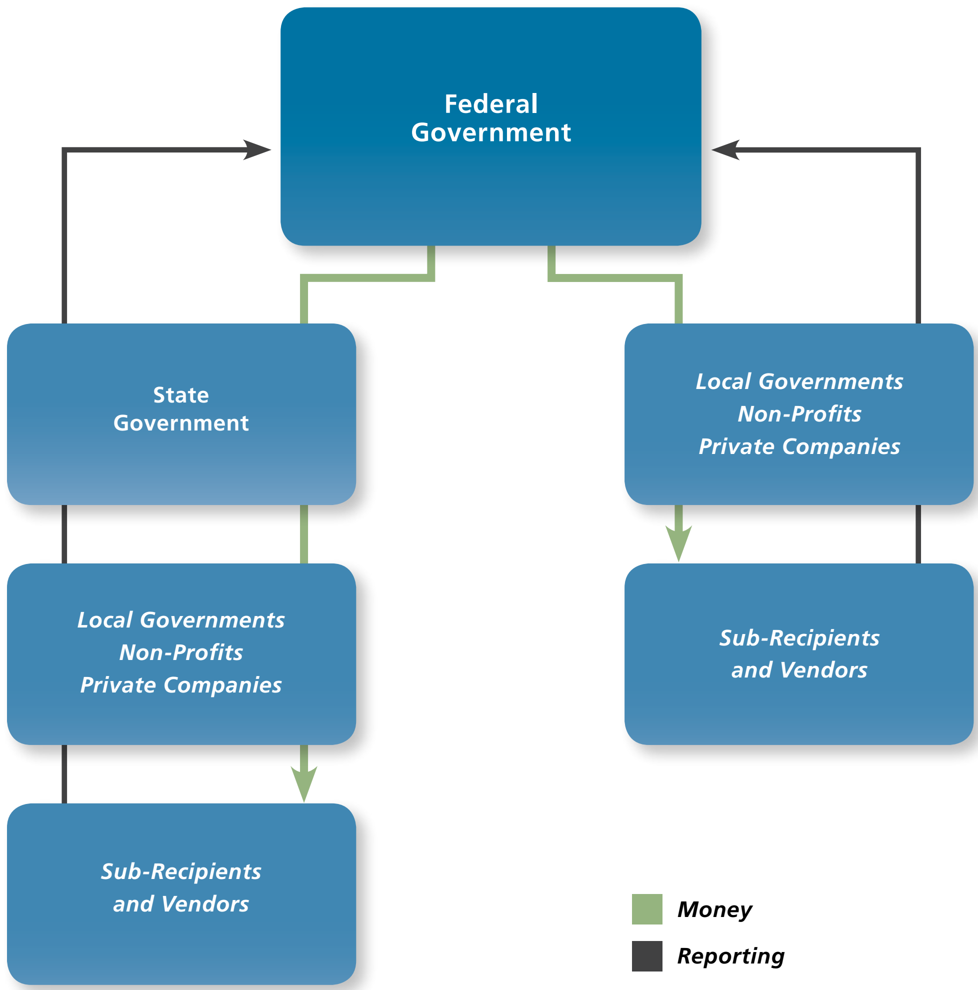


Figure I-2

The importance of implementing the Recovery Act quickly to have an immediate effect on stimulating the economy and to preserve and create jobs, has presented federal, state and local governments with significant implementation challenges. New programs had to be designed, vetted and approved; the administering agencies had to engage in massive outreach efforts to their clients informing them of the availability of Recovery Act funding and services; many administrative processes needed to be revised or newly designed to manage awards and ensure accountability; data collection systems had to be newly created or reconfigured to accommodate massive amounts of information collection and reporting. The enormous effort of implementing the Recovery Act in an atmosphere of urgency and short time lines resulted in intense efforts at all levels of government throughout the nation.

II

Implementation & Oversight Structure

State Agency Roles

Departments Implementing Recovery Act Funding Provisions

Thirty-four state departments have or are expected to receive funding from the Recovery Act by September of 2010 (see Figure II-1). The 1512 reporting requirements apply to an estimated half of the state's anticipated funds. As of September 30, 2009, departments have been awarded $20.3 billion; of which $12.6 billion was awarded through 1512 reportable federal contracts, grant and loans, and $8.1 billion was awarded through non-1512 reportable entitlement programs. In addition to direct expenditures by state departments, the departments have awarded funds to 4,790 sub-recipients and 1,125 vendors to carry out programmatic objectives.

As noted in Section I of this report, departments faced substantial challenges in implementing most Recovery Act programs. Understanding federal direction and guidelines (which in some cases have changed several times since the enactment of the Recovery Act and are continuing to change), adjusting their administrative procedures to accommodate these directives, informing their clients of opportunities and accompanying restrictions, complying with accountability and reporting requirements, and performing all of these tasks in an environment of urgency resulted in huge workload increases for many departments. Even when Recovery Act funds are being provided as simple augmentations to existing programs with no other programmatic changes involved, the Recovery Act dollars must be tracked separately creating additional workload. Hundreds of state employees are engaged in the Recovery Act implementation effort.

For some departments, the situation has been especially problematic. The California Department of Transportation (Caltrans), for example, not only had to manage the requirements specific to the Recovery Act, but also had to simultaneously integrate them with, and track them separately from, a host of existing and interrelated federal highway programs. Caltrans' Recovery Act challenges were magnified by the need to interface and cross reference several different existing and new programs, and the procedural processes and data collection systems that support them.

Total Estimated Recovery Act Funding to California Entities	
State Department Name	**Dollars in Millions**
Employment Development Department	$16,162
Health Care Services, Department of	12,065
Education, California Department of	6,684
Transportation, Department of	2,604
Social Services, Department of	1,621
Justice, Department of	1,436
Corrections and Rehabilitation, Department of	1,085
Tax Credit Allocation Committee, California	1,068
California State University	869
University of California	869
High Speed Rail Administration	800
Energy Resources Conservation and Development Commission	315
State Water Resources Control Board	299
Community Services and Development, Department of	290
Emergency Management Agency, California	287
Child Support Services, Department of	171
Public Health, Department of	170
Public Utilities Commission	144
Housing and Community Development, Department of	77
Rehabilitation, Department of	74
Developmental Services, Department of	53
Air Resources Board	30
Forestry and Fire Protection, Department of	25
Conservation Corps, California	20
Aging, Department of	12
Coastal Commission, California	11
Victim Compensation and Government Claims Board, California	10
Food and Agriculture, Department of	9
Planning and Research, Office of[1]	9
Toxic Substances Control, Department of	8
Statewide Health Planning and Development, Office of	4
Military Department	3
Arts Council, California	1
Industrial Relations, Department of	1
Total ARRA Funding Estimated to State Departments	**$47,286**
Total ARRA Funding And Tax Benefit Estimated to other California Entities (local governments, non-profits, educational institutions, private companies and individuals, tax benefits)	$37,714
Total ARRA Funding Estimated to All Entities within California	**$85,000**

Figure II-1

1 The Office of Planning & Research (OPR) is the recipient of the State Fiscal Stabilization Funds for both Education and Government Services. Through inter-agency agreements, OPR transfers the funds to the University of California, California State University, California Community Colleges and the California Department of Corrections and Rehabilitation. Under federal reporting requirements, OPR is the primary 1512 reporter. The CRTF reports the SFSF Expenditures under the second recipient department on its website and in this report to provide a more accurate reflection of the use of funds in the state. However, in the federal reporting system, the funds are attributed to OPR leading to what may appear as a discrepancy between the California website and the federal system.

A major component of departments' efforts has been outreach and communication with the clients and stakeholders who are the intended beneficiaries of Recovery Act funding. The departments initiated or participated in hundreds of meetings with stakeholder groups. Collectively, these meetings reached out to approximately 45,000 people.

On a proportionately smaller, but still significant, scale the implementation challenges and workload faced by state government is being replicated at the local government level. This massive and sometimes overly burdensome undertaking is not unique to California. It is being experienced in virtually every state in the nation.

California Recovery Task Force

In the spirit of the Act's emphasis on accountability and transparency, and to help ensure the proper stewardship of funds received by California, the Governor issued Executive Order S-02-09 on March 27, 2009. That executive order instructed the director of the Governor's Office of Planning and Research to create and lead the California Recovery Task Force (CRTF). The mission of the CRTF is to:

1. ***Promote California's long term economic recovery through strategic implementation of Recovery Act funds. To achieve this, the CRTF has been and will continue to:***
    - Encourage collaboration among state government, local governments and stakeholders to promote alignment of Recovery Act funding for strategic and sustainable program priorities consistent with federal Recovery Act goals.
    - Focus Recovery Act funds on the recovery of economically distressed areas.
    - Encourage full participation by Disadvantaged Business Enterprises, including small business and Disabled Veteran Business Enterprises.
    - Leverage partnerships to pursue maximum Recovery Act funding for California's people, services and infrastructure to create a long-term benefit to California's economy.

2. ***Promote transparency, accountability and efficiency. To achieve this, the CRTF has been and will continue to:***
    - Facilitate recipient actions to expedite deployment of Recovery Act funds into California's economy while preventing waste and project cost overruns.
    - Inform the public about the progress, use and impact of Recovery Act funds.
    - Emphasize accountability over Recovery Act funds, projects and data quality through transparent reporting and access to data.
    - Promote awareness and provide education and training to recipients on appropriate reporting methods and uses of Recovery Act funds.
    - Promote fair and open competition in all Recovery Act contracting activities.

To fulfill this mission, the CRTF employs both proactive and reactive methods to direct and coordinate California's implementation of both the programmatic and accountability features of the Recovery Act. The CRTF includes 13 key administration executives representing the various program areas receiving Recovery Act funds. In addition to the Director, Chief Deputy Director and Chief of Staff of the CRTF, a core staff of ten other people—mostly borrowed from a variety of state departments—conduct the day-to-day operations.

Task Force Member	Title and Department
Director	Deputy Chief of Staff to the Governor and Director of the Governor's Office of Planning & Research
Chief Deputy Director	Chief Operating Officer of the Department of Finance
Deputy for Information & Transparency and Broadband Representative	Chief Information Officer
Public Liaison	Director of the Governor's Constituent Affairs office
Communications Director	Deputy Director of Communications to the Governor
Health and Human Services/ Health IT Representative	Undersecretary of the Health & Human Services Agency
Transportation Representative	Director of Caltrans
Housing Representative	Director of the Housing & Community Development
Energy Representative	Deputy Secretary Resources Agency
Environment and Water Quality Representative	Deputy Secretary of Cal-EPA
General Government Representative	Governor's Director for Jobs & Economic Growth
Education Representative	Undersecretary of the Office of Secretary of Education
Labor Representative	Deputy Secretary Employment and Workforce Development

In addition and as necessary, staff from various departments are assigned to the CRTF to cover ad hoc oversight issues for varying lengths of time. Also, approximately 18 people within the Office of the Chief Information Officer (OCIO) and the Office of Technology are working full or part-time on Recovery Act data collection and reporting issues. Major functions of the CRTF include:

- Establish and maintain California's transparency website providing detailed information for the public on how Recovery Act funds are being spent in the state and related Recovery Act matters.
- Conduct outreach to potential beneficiaries of Recovery Act funding opportunities.
- Provide guidance and directives to state agencies on federal reporting and accountability requirements.
- Encourage departments to seek optimum funding from Recovery Act opportunities by producing quality proposals.

- Organize central reporting of state departments' Recovery Act data to the Recovery Accountability and Transparency Board.
- Create and maintain databases and information technology systems to collect and organize Recovery Act expenditure data.
- Conduct twice weekly meetings of the membership to share information and coordinate efforts.
- Act as the primary state contact with federal agencies involved in Recovery Act implementation oversight, including Office of Management and Budget (OMB), Recovery Accountability and Transparency Board (RATB) and the Government Accountability Office (GAO).
- Act as the California representative in national organizations actively participating in Recovery Act issues, including the National Governor's Association (NGA), the National Association of State Budget Officers (NASBO), the National Association of State Chief Information Officers (NASCIO) and, on certain issues, the National Association of State Auditors, Comptrollers and Treasurers (NASACT).

Below are past and ongoing oversight and transparency activities of the CRTF:

- Identify and develop content for the California Recovery Act website (recovery.ca.gov), which provides a single source of information that outlines availability, uses, status, outcomes and accountability of the Recovery Act funds in California. The site presents information not only about activities funded from Recovery Act awards received and administered by the state and subject to state 1512 reporting (i.e., Quadrant I spending as reflected in Figure I-1), it includes extensive information about Recovery Act spending in the Quadrant II, III and IV categories to the extent that information is available. This website currently includes more than 155 documents and over 900 pages of content such as expenditure reports, readiness reviews, policies and procedures, support letters and Recovery Act events. The website also contains links to search for jobs created with the Recovery Act funds and the ability to bid on state contracts. The site receives an average of 8,000 views from 1,700 people weekly.
- Conduct regular meetings with CRTF members, including representatives from each agency receiving the Recovery Act funds, thus providing a forum for guidance and a venue to discuss issues, address concerns, highlight progress and identify action items.
- Develop and prepare Recovery Act Bulletins to provide instructions and guidelines to state agencies receiving the Recovery Act funds. To date, 30 of these bulletins have been issued on a variety of topics.
- Using the resources and expertise of the Department of Finance's Office of State Audits and Evaluations (OSAE), the CRTF has initiated preventive actions and investigated emergent situations. For example, in May 2009 the CRTF took the preventive measure of tasking OSAE with reviewing departments' basic internal controls and other fundamental aspects of grant management to ascertain their readiness to assure accountability in their administration of Recovery Act funds. Overall, the review indicated that departments were generally well positioned to take on the responsibility of Recovery Act administration. However, some weaknesses and risks were identified as well. The pertinent departments were then required by CRTF to prepare corrective action plans and report back to OSAE within ten days on their

plans for improving their internal processes and mitigating risks. The results of the readiness assessment and the corrective action plans are available on recovery.ca.gov. In another example, in October 2009 CRTF directed OSAE to review a sample of data submitted by departments during the first reporting period to validate its accuracy. The purpose of the effort was to gain a better understanding of the reliability of reported data and, if necessary, identify processes and procedures to improve data quality. Overall, the review of sample data did not identify major systemic problems, but it did find some inadequacies, in particular with the level of documentation available to substantiate the reported data. As a result, the CRTF issued a bulletin providing further directives to departments on expectations for data documentation accompanied by a list of recommended "best practices". In addition, CRTF staff have been assigned the responsibility for continuous monitoring of data quality issues. The results of this review and subsequent bulletin are available on the website.

- Coordinate and lead the efforts of the state departments in collecting and reporting data required by the Recovery Act.

  » In June 2009 the CRTF established a data workgroup comprised of representatives from all of the departments anticipated to receive Recovery Act funding. The purpose of the workgroup is to provide a forum for informing departments of data reporting requirements and sharing information and lessons learned from the various departments' data collection efforts.

  » Develop a short-term and long-term strategy to meet the data gathering, reporting and transparency requirements for the Recovery Act. Because of the evolving nature of federal guidance on implementing the Recovery Act, the size and complexity of California's involvement in the Recovery Act, and the short time frames for developing systems to handle the 1512 reporting requirements and other transparency imperatives, the CRTF has initially developed and deployed short-term solutions. Currently, three ad hoc systems have been established to meet the initial federal reporting deadline and provide information for the transparency website. Work is underway to consolidate these three systems into a single system that will reduce manual workload and data input errors and provide increased capacity to configure data for analytic and reporting purposes. The primary system currently housing the state's 1512 data and uploading it to the federal system was designed and deployed by the OCIO in less than three months and is named the California ARRA Accountability Tool (CAAT).

  » Act as a clearinghouse between state reporting entities and the RATB and other federal agencies regarding instructions and questions on data content and the technical aspects of data entry and uploading. During the first nationwide Recovery Act data collection period in October 2009, California reported on 750 individual federal funding streams. The number of data elements included in the upload to the federal system was in excess of 300,000. The multistage process of completing this upload task generated 790 questions and comments from a variety of federal entities and the state. Only one week was available to resolve these questions, make revisions to the state's report and reload the final data. Had the CTRF not provided a central clearinghouse function, it is unlikely the deadlines would have been met. In addition, CRTF force established a help desk to support departments in entering information into CAAT. During the reporting period, the help desk logged 1,747 calls and 6,364 emails.

- Institute data review procedures and systems to ensure the accuracy and quality of data. Conduct ongoing research into data discrepancies and anomalies and make continuous improvement to data quality.

- Act as a single point of contact with federal agencies responsible for Recovery Act oversight, specifically, the OMB, GAO and RATB. However, the CRTF is not the primary contact on issues related to federal Single Audit issues. Although the CRTF is attentive to Single Audit requirements and the findings, the agencies in California responsible for conducting or overseeing federal Single Audits are the Bureau of State Audits (BSA) with respect to state agencies and the State Controller's Office (SCO) with respect to local governments.

- Undertake a national leadership role directly with federal oversight agencies and through participation in national organizations actively engaged in Recovery Act issues. For example:

  » The Director of the CRTF is a prominent voice in the discussion within the NGA on data reporting requirements and other issues. NGA's feedback to federal oversight agencies on these problems along with recommended solutions is influential in federal decisions to revise and clarify some of its previous guidance. In addition, the task force Director is a member of the NGA committee reviewing the federal guidelines on how job creation and retention are reported under the Recovery Act.

  » The team implementing California's data collection and reporting system was active in NASCIO and has developed a close working relationship with the RATB on technical data issues. Close involvement with these entities enable California to uncover technical problems earlier than many other states and obtain a crucial lead time in developing solutions for California and other states before critical deadlines arrived.

  » The CRTF Chief Deputy Director and one CRTF staff partnered with three other states (Arizona, Colorado and Massachusetts) under the auspices of NASACT and NASBO to lead an effort convincing OMB to modify its traditional rules for administrative cost recovery to be more compatible with the unique nature of the Recovery Act. In so doing, states are now authorized to obtain substantially more federal funding for oversight expenses than would otherwise have been the case.

- Initiate or participate in scores of outreach and stakeholder meetings with governmental, non-profit and private business groups to explain Recovery Act opportunities, and to emphasize the importance of accountability that accompanies those opportunities. Over 47,000 people attended these meetings. Meetings with organizations representing minority, disabled and small business owners comprised roughly half of this attendance number. In addition, the CRTF has prepared and distributed numerous information sheets, emails and press releases on various grant opportunities in an effort to broadly inform possible recipients of funding opportunities. To date, over 125 press releases and 45 informational updates have been distributed.

- Focus on small and disadvantages businesses through targeted outreach and engaging the state's small business liaisons in departments and agencies receiving Recovery Act dollars.
- Prepare various letters for the Governor's signature certifying California compliance with Recovery Act accountability requirements. Also researched and prepared gubernatorial endorsement letters for applications by state or other entities competing for Recovery Act funding when the proposals would promote high-priority state policies. To date, nine certification and policy letters, and 26 letters of support have been written to help obtain Recovery Act funding that would advance state program policies or to minimize onerous requirements to receive those funds.

Inspector General

The Governor created the position of California Recovery Act Inspector General (IG) through Executive Order S-04-09 on April 3, 2009. The Executive Order identifies the IG as an independent entity with the mission to:

- Protect the integrity and accountability of the expenditure of Recovery Act funds by preventing and detecting fraud, waste and misconduct in use of those funds.
- Conduct periodic reviews and audits to ensure state and local government compliance with federal requirements and applicable state law.
- Provide independent and objective reports to the Governor, the Legislature, the GAO and the RATB on its findings and recommendations for correcting any identified problems or abuses.
- Coordinate with the BSA, SCO, Department of Finance (OSAE), local auditors and controllers to identify and deploy resources as necessary to ensure accountability.
- Provide technical and consultative advice to the CRTF.

Rather than duplicate the audit efforts of the state's other auditing entities, such as the BSA and the SCO, the IG will focus largely on preventative measures and follow-up to ensure departments and other recipients are taking appropriate and timely corrective actions. The IG's approach to statewide accountability is to facilitate timely intervention to assist in the prevention of fraud, waste and abuse. The IG will identify risks associated with Recovery Act funded programs; provide timely and specific feedback to allow for implementation of necessary controls; and disseminate information in a manner that will assist recipients in identifying and mitigating risk. The early focus of the IG was to initiate and participate in various workshops aimed at sensitizing state and local governmental entities and non-profit organizations to the warning signs of fraudulent activity and sharing best practices to prevent misuse of funds. The IG will also provide guidance and coordination to the many program monitors and internal auditors within the state departments that report to the Governor.

The IG's mandate to detect and disclose fraud, waste and abuse will rely on audits, reviews and investigations revealed by any source, including its own efforts, BSA and SCO audits. The IG has and will perform follow-up to ensure that Recovery Act funds are spent appropriately, working with departments, the federal government and local governments, sub-recipients and other service providers as necessary to address deficiencies. The IG will conduct issue-specific and short-term audits and reviews, focused primarily on counties, cities, school districts and other service providers. These audits and reviews will highlight problems found, and will be the basis for referral to the appropriate state, federal and/or law enforcement agencies.

The IG's office currently has a modest staff of six, consisting mostly of staff borrowed from other departments. In addition, six staff from OSAE are being deployed to work exclusively on Recovery Act issues under the direction of the IG. Also available to the IG are the audit resources within state departments under the control of the Governor to work on issues related to those departments' programs.

Below are the IG's current and planned future activities related to the Recovery Act:

- Established a website that provides information on the office, on fraud detection, reporting and whistleblower protections. The website also contains links to other Recovery Act related sites with an emphasis on fraud prevention and detection.
- Met with the BSA, SCO, OSAE and state internal auditors to gain an understanding of the state audit community. Based on initial discussions, the IG identified the distinct missions of each of these entities and created a communication channel to avoid potential overlap and duplication.
- Attend selected audit entrance and exit conferences for the Recovery Act audits of state agencies held by the BSA, SCO and OSAE to understand the scope of the review so that the work can be used by the IG's office in the future.
- Coordinate fraud prevention and detection training events for state and local agencies, as well as the service provider community, with presentations from federal agencies on measures to avoid problems and prevent fraud, waste and abuse. Over 1,000 state and local agency staff attended seven events throughout the state. The event was also available through a webinar.
- Convene workgroups to gain an understanding of departmental oversight activities, identify weaknesses and determine how the IG can serve as a conduit to ensure the integrity and accountability of Recovery Act funds. One workgroup is composed of internal auditors while the other includes staff responsible for compliance or programmatic oversight. In addition to providing a forum for sharing information among state auditors, these workgroups will develop best practices templates for overseeing Recovery Act funding.
- Collect and review summary information from 34 Recovery Act departments regarding:
  - » Overarching goals guiding their Recovery Act expenditures and disbursements.
  - » Criteria used to ensure funds are spent consistent with the Recovery Act requirements and consistent with CRTF guidance.

- » Plans to ensure funds are not lost to fraud, waste and abuse.
- » Actions taken to ensure the Recovery Act activities are transparent.

- Evaluate summary reports and discuss findings and recommendations with Recovery Act departments and perform continuous monitoring of oversight plans.
- Review the findings of previous Single Audit reports to identify chronic and repeat areas of audit weakness. These findings will be factors considered in determining where to focus audit resources. The IG will either investigate directly, contract with OSAE or work with the department to implement changes.
- Work with departments to ensure that they timely implement their plans to remedy any Single Audit findings that emerge from BSA's reviews, excluding those findings that are fiscally and/or strategically impossible to implement. The IG will review departmental corrective action plans to verify that the corrections represent substantive process modifications, to ensure that the findings will not be repeated. The IG will actively monitor progress related to those plans and hold departments accountable to achieve improvements. Based on a review of findings repeatedly identified in prior Single Audit reports, the IG expects to collect up to 35 plans annually and monitor progress.
- Attend and present at public outreach events with business, community and government oversight groups and professional associations.
- Track and respond to inquiries and complaints received on the IG's website. To date, the IG has received approximately 70 inquiries. This activity is expected to increase as more entities become familiar with the IG's office and as expenditures increase.

Bureau of State Audits

The Bureau of State Audits (BSA) is statutorily responsible for annually conducting California's statewide Single Audit. The Single Audit is a combination of the independent audit of the state's basic financial statements (prepared by the SCO) and the independent audit of federal programs administered by various state agencies. The federal government requires each state to annually perform a Single Audit of major federal programs as a condition of receiving federal funding and requires auditors to comply with Generally Accepted Government Auditing Standards when conducting the Single Audit.

The federal guidelines for conducting the Single Audit are issued by OMB and are explained in OMB Circular A-133. Among other things, Circular A-133 requires that the audit entity that conducts the audit be independent of the agencies it is reviewing. The guidelines also provide the formula auditors are required to use to identify federal programs to include in the Single Audit each year. Because it is impractical to do an audit of all federal funds annually, the federal guidelines direct auditors to focus on high-risk federal programs. With the current timing of the report on the Single Audit occurring nine months after the fiscal year end, the federal government is considering a more aggressive reporting timeline of six months after the fiscal year end for the next Single Audit cycle.

As part of its statutory responsibility to perform the state's traditional Single Audit, the BSA is also responsible for conducting the statewide audit for Recovery Act funding. The BSA is focusing on areas where there are known internal control and compliance weaknesses based on previous Single Audit work and on state departments that have not previously administered large federal programs.

Because the BSA is an external, independent audit entity, auditing standards generally prohibit it from providing consultation services or assistance to the entities it has the authority to audit. Such involvement with the executive branch entities could compromise the auditor's independence. Consequently, the BSA's audit and oversight role is distinct from that of the IG or the services provided to the IG and the CRTF by OSAE.

Below are the BSA's current and planned future activities related to the Recovery Act:

- Perform risk assessments as the state's receipt or expenditure of Recovery Act funds increase to identify programs for further review. These assessments include a review of financial data from the http://www.recovery.ca.gov website, guidance from the OMB, federal reports and registers and prior Single Audit reports to identify recurring internal control and compliance deficiencies at departments expected to receive large amounts of Recovery Act funds. Summaries of these findings are posted on BSA's website at http://www.bsa.ca.gov/stimulus along with other reports identified below.
- Conduct early testing of internal controls and preparedness reviews at departments determined to be at risk for mismanaging Recovery Act funds. The BSA performed an analysis and designated the state's system for administering Recovery Act funds a statewide high-risk area in a letter report, California's System for Administering Federal Recovery Act Funds[2]. Also, at the request of the Joint Legislative Audit Committee (JLAC), the BSA is performing early testing and preparedness reviews of five federal programs administered by four departments. The preparedness reviews and early review and testing of internal controls include the following:
    - » Review guidance from various federal and state sources on administering Recovery Act funds.
    - » Interview key personnel at state departments on internal controls for Recovery Act funds.
    - » Distribute to departments a questionnaire developed using potential risks identified by OMB in April 2009.
    - » Verify the results of the questionnaire by interviewing key department personnel and reviewing relevant documents.
    - » Identify the status of corrective actions taken by departments to resolve weaknesses reported in prior Single Audits that have the potential to affect the state's ability to properly administer Recovery Act funds.

2 Bureau of State Audits, Letter Report 2009-611, April 22,2009

   » Conduct limited testing on internal control weaknesses the departments indicate they have fully corrected.

   » Test key Single Audit compliance requirements related to Recovery Act funding.

- Modify the Single Audit process for major federal programs receiving Recovery Act funds to include new Recovery Act compliance activities.

- Participate in the OMB pilot program using the approach developed by the BSA for early testing and reviews previously described. The OMB established its pilot project to provide management and those charged with governance useful, timely and important information on internal control or compliance so as to promptly correct identified deficiencies related to Recovery Act funds.

- Issuing interim reports on the results of preparedness reviews and early reviews and testing of internal controls conducted on multiple federal programs at departments expected to receive large amounts of Recovery Act funds. By December 31, 2009, the BSA has issued five interim reports covering 25 Recovery Act funded programs—including one requested by JLAC—at the departments of Education, Health Care Services, Social Services, Corrections and Rehabilitation, Developmental Services, Employment Development Department, Rehabilitation, Transportation and the Energy Commission. These reports are available on the BSA's website http://www.bsa.ca.gov/stimulus/interim_reports.

- Review the data on local agency Single Audit findings reported by the SCO to assist in determining if state departments that administer federal awards are complying with sub-recipient monitoring activities.

- Accelerate the traditional Single Audit activities by starting the next cycle—covering fiscal year 2009–10 federal awards—as early as January 2010, about seven months earlier than in prior years to meet an expected new reporting deadline of December 2010.

- Participate in conference calls with the OMB, the federal Department of Health and Human Services (California's cognizant agency), NASACT and other states to give and receive feedback on drafting Recovery Act guidance and to discuss other Recovery Act-related issues.

- Revise the BSA's website to allow the Legislature, state agencies, other audit entities and the public greater access to Single Audit and Recovery Act information.

- Investigate or refer to the appropriate federal entity reports received under the California Whistleblower Protection Act alleging fraud, waste and abuse of Recovery Act funds.

State Controller's Office

The State Controller's Office (SCO) is primarily responsible for provision of sound fiscal control over both receipts and disbursements of public funds and to report periodically on the financial operations and condition of both state and local government. To that end, the SCO performs financial audits of federal and state funds in connection with SCO's central disbursing function—claim audits. The SCO is the primary state agency that conducts audits of local entities as needed in connection with locals' receipt of funds from the state.

Local entities are also subject to the federal Single Audit requirements. Generally, local Single Audits are performed by private CPAs on contract with the local entity. SCO reviews the audit reports for compliance with A-133 requirements and to identify findings related to federal and state funding provided by state agencies. Depending on the nature of the finding, SCO either initiates an audit action itself with a local agency, or forwards the findings to the appropriate state agencies for follow up and resolution.

The SCO has a significant role in the state's overall accountability responsibilities because a substantial portion of the funding received by the state will be awarded to sub-recipients who are primarily local governments. The SCO anticipates a 25 percent increase in the number of reviews of local government single audit reports from cities and a 10 percent increase from specials districts resulting in an increase of 540 single audit reports requiring review.

Below are the SCO's current and planned future activities related to the Recovery Act:

- Add new revenue account coding to track Recovery Act funds separately from other federal funds as required under the Act.
- Conduct a review of audit findings of local agencies and local education agencies (LEAs) from prior years to assess where there are existing weaknesses in internal controls and where there is a high-risk of significant future audit findings. (As noted above, the BSA undertook a similar effort for the state-level Single Audit.)
- Issue advisories to local governments, LEAs and companies that perform single audits to address Recovery Act requirements for audits of 2008–09 expenditures. To date the SCO has issued three separate advisories providing guidance and direction to these entities. These advisories can be found at http://www.sco.ca.gov/pubs_guides_lea.html and http://www.sco.ca.gov/pubs_guides_lg.html.
- Modify single audit process related to local governments (cities and counties, LEAs and special districts) to include Recovery Act components and reporting requirements. Changes related to the Recovery Act will be included in the 2009–10 audit guide, which will be issued after the end of the fiscal year.
- Prepare the report of local government single audit findings and submit to the BSA for their review as part of the statewide Single Audit process.
- Expand existing claim audit reviews to separately identify Recovery Act expenditure claims to prevent fraud, waste and abuse. This will result in an additional 12,000 claim schedules requiring review before a disbursement of funds. This process began in November 2009 pursuant to SCO Payroll Letter 09-003.
- Use data in claim audits to identify trends that will, together with information from single audits and other sources, assist in identifying high value field audit targets.
- Perform field audits as warranted based on trend indicators or other sources of information.

- Incorporate summary information in the Comprehensive Annual Financial Plan (CAFR) related to Recovery Act expenditures and revenues beginning with the 2008–09 CAFR. Approximately 60 programs within 34 state agencies will receive Recovery Act funds requiring the creation of unique Recovery Act accounts within the state accounting system. This will result in more than 1,125 specific transactions to support the collection of financial data that will be summarized in the CAFR.

- Collect, review, compile and publish Recovery Act revenue and expenditure data reported by California local government entities including cities, counties, special districts, redevelopment agencies, transit districts and transportation planning agencies. At least 1,500 of the state's approximately 6,000 local governments are anticipated to receive Recovery Act funds either directly from the federal government or as a sub-recipient of the state. While an abundance of detailed Recovery Act project data is available on the federal government's recovery website and the state's recovery site, the impact and the significance of the amount of all Recovery Act awards to each local governmental entity within California is not included in any consolidated format by entity or by entity type that will be useful for financial analysis. This data collection effort will be done in coordination with the CRTF, building off of CAAT to the extent possible and not duplicating data collection and reporting systems.

Figure II-2 provides a high-level overview of the different audit and oversight responsibilities. While the activities and approaches may be similar in nature, each entity has a distinct responsibility and area of expertise. In addition, each of the entities is committed to coordinating their efforts to minimize duplication and to share information so that as a whole the state can expend Recovery Act funds appropriately; minimize the incidence of fraud, waste and abuse; and identify and implement appropriate corrective actions to address findings in a responsible and expeditious manner.

High-Level Overview of Accountability and Oversight Roles

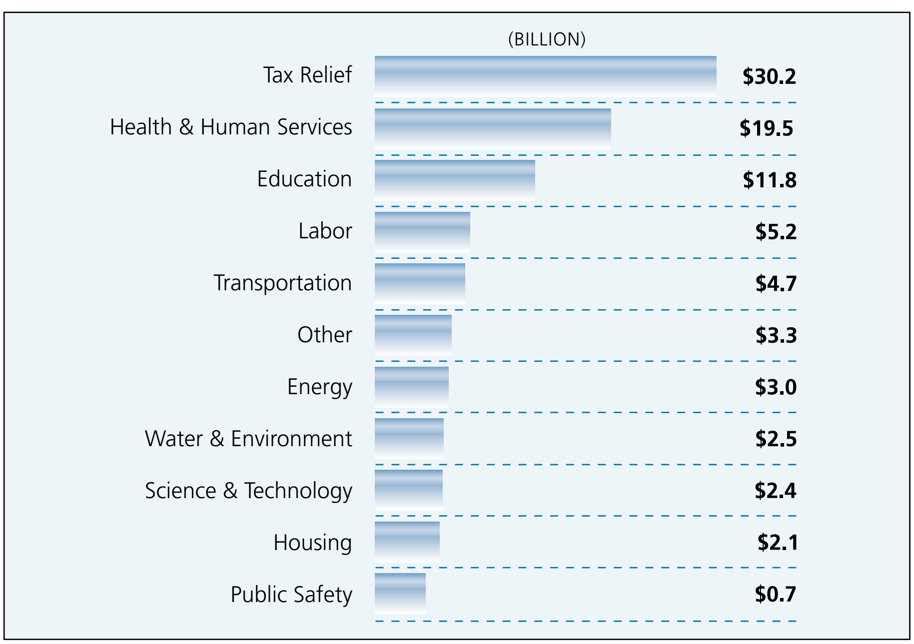
<table>
<tr><th>All entities will assist in the identification of fraud, waste and abuse</th><th>Prevention</th><th>Readiness/ Preparedness</th><th>Risk Assessment</th><th>Audits</th><th>Technical Assistance to Departments</th><th>Investigate Fraud, Waste and Abuse</th></tr>
<tr><td>Recovery Act Departments</td><td colspan="3">Document existing internal controls and determine approach to fund allocation</td><td>Support audit activities - follow up on audit findings</td><td></td><td>As part of compliance reviews, investigate potential fraud</td></tr>
<tr><td>Task Force</td><td>Provide education, training and guidance to state recipients on appropriate use of funds</td><td>Monitor department activities and support allocation of funds</td><td></td><td>Data quality checks and reviews of 1512 reports for accuracy</td><td>Provide technical assistance on reporting and appropriate use of funds</td><td></td></tr>
<tr><td>Office of State Audits and Evaluations</td><td></td><td>Readiness reviews focused on internal controls</td><td></td><td>Conduct program and compliance audits or reviews as requested by the Task Force or directed by the IG</td><td>Provide technical assistance to correct audit findings and strengthen internal controls</td><td></td></tr>
<tr><td>Inspector General</td><td>Coordinate training to state and local governments on oversight and prevention of fraud, waste and abuse</td><td colspan="2">Interview each Recovery Act-recipient department to ascertain their plans for ensuring oversight of expenditures and identify risks based on prior audits, reviews and program characteristics</td><td>Limited-scope, reviews and audit work focused on evaluating and pursuing indicators of fraud, waste and abuse</td><td>Analyze deficiencies and provide a framework to prevent similar problems in the future</td><td>Investigate complaints directed to the Office</td></tr>
<tr><td>Bureau of State Audits</td><td colspan="2">Conduct early reviews and testing of internal controls</td><td>Identify risks based on prior Single Audit findings, ARRA funding and federal guidance</td><td>Complete Single Audit for state departments</td><td></td><td>Investigate or refer whistle blower complaints</td></tr>
<tr><td>State Controller's Office</td><td>Audit state agency Recovery Act claims for compliance and to identify high risks</td><td></td><td>Identify risks based on prior local government audit findings</td><td>Complete and issue local government single audit guidance, conduct field audits, of high risk local and state entities</td><td></td><td>Investigate local government and potential fraud identified during state agency claim audits</td></tr>
</table>

Figure II-2

The Programmatic and Economic Stimulus Impact of The Recovery Act

Based on initial estimates of the Recovery Act's impact on California, $55 billion in cash benefits will flow to the state, with estimates of $47.3 billion flowing through state departments and agencies. The rest of the money will be awarded directly to local governments, non-profits, educational agencies, community-based organizations and private companies. Tax benefits estimated at over $30 billion will flow directly to individuals and corporations in the form of refunds, deductions and exemptions. The following sections outline programs contained within broad investment categories and their accomplishments to date.

$85 Billion in Benefit to California (Est.)



**Estimated benefit to California through the life of The Recovery Act*

As of September 30, 2009, $18.5 billion Recovery Act dollars subject to Section 1512 reporting have been awarded to all entities in California, with $12.6 billion of that money flowing through state government (see tables below). Another $8.1 billion not subject to Section 1512 reporting was also awarded to California entities, $5.4 billion of which flowed through state government.

1512 Recovery Act Funds to California Entities as of September 30, 2009 (Quadrants I and II of Figure I-1)

Investment Category	Amount Awarded	Amount Received	Amount Spent	Jobs Created and/or Retained
Education	$8,389,268,269	$5,121,133,536	$5,111,418,038	81,323
Energy	1,810,093,209	42,883,835	28,170,668	601
Health & Human Services	860,213,129	59,800,878	46,575,861	1,729
Housing	957,773,677	91,438,056	86,144,340	2,378
Labor	688,547,641	140,746,384	106,503,737	12,719
Other	614,513,494	56,428,358	8,402,417	2,574
Public Safety	633,663,038	171,270,057	20,316,536	699
Science & Technology	437,279,616	61,338,970	8,044,807	965
Transportation	3,350,543,981	2,376,910,290	265,432,149	5,742
Water & Environment	792,946,031	58,586,071	27,038,549	1,456
Grand Total	**$18,534,842,086**	**$8,180,536,434**	**$5,708,047,099**	**110,185**

1512 Recovery Act Funds to Only California State Government as of September 30, 2009 (Quadrant I)

Investment Category	Amount Awarded	Amount Received	Amount Spent	Jobs Created and/or Retained
Education	$8,287,275,203	$5,092,596,698	$5,092,596,698	80,465
Energy	465,111,018	2,221,483	2,217,847	83
Health & Human Services	41,827,456	21,510,828	12,685,691	106
Housing	384,568,550	-	-	6
Labor	600,217,967	133,813,602	105,578,443	12,682
Other	13,657,983	3,855,511	47,430	568
Public Safety	159,981,809	145,078,444	9,511,859	246
Transportation	2,151,402,192	2,053,285,541	26,666,668	1,587
Water & Environment	493,229,998	12,545,224	11,794,163	402
Grand Total	**$12,597,272,176**	**$7,464,907,332**	**$5,261,098,799**	**96,145**

Health and Human Services

With over $4 billion in funds received as of September 30, 2009, dollars for health and human services programs provide a needed safety net for California's citizens. Programs like Medi-Cal, food and nutrition assistance programs, immunizations, community service grants, social security and vocational rehabilitation keep California's citizens healthy and on the road to economic recovery.

Medicaid

Nationally, Medicaid programs are expected to receive approximately $87 billion in increased federal funding under the Recovery Act over 27 months (October 1, 2008 through December 31, 2010). The Department of Health Care Services (DHCS) is the state agency responsible for California's Medicaid program, known as Medi-Cal. Medi-Cal is the largest Medicaid program nationally in terms of covered populations and is the second largest, next to New York, in terms of program expenditures. California's estimated share for Medi-Cal is approximately 10 percent of the $87 billion.

It is important to note that the increased federal funding under the Recovery Act will not change the amount of funding paid for program services. Rather, the Recovery Act has increased the federal share of funding for the Medi-Cal program, resulting in General Fund savings and mitigating programmatic cuts that would have otherwise been required due to California's budget crisis.

To receive the increased federal funds for its Medicaid programs, all states have to meet several criteria established by the federal government. Specifically, the receipt of the funds required states to maintain eligibility standards, methodologies and procedures that were in effect under its State Medicaid Plan as of July 1, 2008. As such, California had to change state law to repeal recently passed legislation requiring mid-year status reports for children, resulting in the elimination of 12 months of continuous eligibility for this population. Senate Bill X3 24 (Alquist) implemented this required change allowing California to receive increased federal funds under the Recovery Act. As of September 30, 2009, California has claimed approximately $3.8 billion in increased federal funding for Medi-Cal under the Recovery Act.

It is important to note that the increased federal funding under the Recovery Act will not change the amount of funding paid for program services. Rather, the Recovery Act has increased the federal share of funding for the Medi-Cal program, resulting in General Fund savings and mitigating programmatic cuts that would have otherwise been required due to California's budget crisis.

Temporary Increase in Medicaid Federal Medical Assistance Percentage for Title IV-E

The Recovery Act also provides for a temporary increase of 6.2 percent in the federal share of Title IV-E funding for the Adoption Assistance, Foster Care and Guardianship Assistance Programs from October 1, 2008 to December 31, 2010. Funds will reduce the state and county shares of these programs. As such, the Recovery

Act has increased the federal funding share for these programs, resulting in General Fund savings for the state and mitigating programmatic cuts that would have otherwise been required due to California's budget crisis.

Temporary Increase in Disproportional Share Hospital Allotment

The Recovery Act provides a temporary increase of 2.5 percent in Federal Fiscal Year (FFY) 2009 and 2.5 percent in FFY 2010 of additional federal funding to the existing Disproportionate Share Hospital (DSH) Allotment that is distributed to public and private hospitals that meet certain criteria. DSH payments provide additional help to hospitals that serve a significantly disproportionate number of low-income patients. The increased federal percentage for services will result in an increase of approximately $27 million in DSH funds for California for FFY 2009 and FFY 2010. As of September 30, 2009, $20.6 million in Recovery Act DSH has been claimed.

Temporary Assistance for Needy Families Emergency Contingency Fund

The Temporary Assistance for Needy Families Emergency Contingency Fund (TANF ECF) is intended to build upon and renew the principles of work and responsibility that underlie successful welfare reform initiatives. Like other provisions of the Recovery Act, the TANF ECF provides resources to states, territories and tribes to support work and families during this difficult economic period. The Recovery Act provides up to an additional $5 billion nationwide in emergency funding for the TANF program. To date, the California Department of Social Services (CDSS) has applied for and received $415.3 million in TANF ECF, nearly $40 million to support county welfare departments to expand subsidized employment programs and more than $375 million to provide funding for caseload growth in California's TANF program. California was the first to apply for and receive TANF ECF funds. The increase in funding for caseload is a significant injection of funds that has benefited California's economy and provided State General Fund relief.

California was the first to apply for and receive TANF ECF funds.

The increase in funding for TANF subsidized employment will enhance California's state-subsidized employment program and provide a vehicle to partner with community-based organizations, which will both increase economic stimulus through job creation and provide additional assistance to the needy. At this time, approximately 50 of California's 58 counties are currently offering, or will be offering, thousands of subsidized employment programs with this new TANF ECF funding. In August 2009, CDSS presented at five regional forums. They presented on the importance of implementing the ECF, in particular, the subsidized employment component throughout California. These forums were attended by more than 90 percent of California's counties.

Supplemental Nutrition Assistance Program

The Recovery Act provided a 13.6 percent benefit increase for eligible individuals and families in the Supplemental Nutrition Assistance Program (SNAP), formerly the Food Stamp Program. Approximately 2.5 million Californians, or one million households, receive SNAP benefits totaling approximately $321.6 million each month. The Recovery Act will raise the average monthly benefit from approximately $300 per household per month to approximately $341 per household, resulting in $47 million in additional federal dollars arriving to the state each month and an additional $840 million over the life of the Recovery Act.

These benefits help low-income families put food on the dinner table every day. A 13.6 percent increase will dramatically help families, while also boosting California's economy in ways that benefit grocers, food manufacturers and growers.

The Recovery Act also provided California with approximately $22 million in administrative funding for costs associated with increased Food Stamp caseloads. Some funds will be used to enhance California's automated welfare systems, making it easier for individuals to apply and receive public assistance benefits.

These benefits help low-income families put food on the dinner table every day. A 13.6 percent increase will dramatically help families, while also boosting California's economy in ways that benefit grocers, food manufacturers and growers.

Temporary Emergency Food Assistance Program

CDSS' Temporary Emergency Food Assistance Program (TEFAP) administers the U.S. Department of Agriculture's donated commodity distribution program throughout California through a network of 50 non-profit food banks in contract with CDSS and 2,300 distribution sites under contract with food banks. The program provides low-income individuals and households with surplus commodities donated by USDA. In addition to donated commodities, USDA also provides limited administrative funding for shipping, handling and storage of these commodities, which are proportionately allocated to food banks. In California, the volume of USDA commodities increased from 56 million pounds to more than 100 million pounds.

Immunizations

California's Department of Public Health (CDPH) received $10.7 million in Recovery Act funding to support immunization registries, expanded immunization at local health departments and community health centers, consumer information and vaccine management. Funding will be provided to local health departments and community health centers to expand and enhance immunization services and to increase the number of individuals vaccinated. Outbreaks of vaccine-preventable disease such as measles have occurred in schools where parents have declined vaccines for their children. California will develop and target additional training and educational materials to immunization partners, the public and program staff around this issue by using the "I Choose" campaign and other methodologies. As of December 11, 2009, CDPH has distributed over $7.8 million to 38 local providers, including local health departments and clinics.

Community Services Block Grant

The Recovery Act infused $89.2 million in additional funds to the federal Community Services Block Grant (CSBG) program providing the opportunity to assist state and local communities, more than doubling prior funding ($56 million). CSBG funds may be used for the reduction of poverty, the revitalization of low-income communities and the empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient.

Fifty-nine eligible entities received their CSBG Recovery Act in August 2009. The following provides examples of how the funding will be used:

- Center for Employment Training (CET) proposes a $2.9 million dollar project to prepare students for "Green Jobs" by purchasing equipment and retraining Building Maintenance and HVAC instructors to deliver pre-weatherization and solar panel installation training. Centers that will be included in this project include El Centro, Coachella, San Diego, Oxnard, San Bernardino, Watsonville, Santa Maria, Sobrato, San Jose, Gilroy, Soledad and Temecula.
- City of Oakland Department of Human Services received a $1.2 million Recovery Act allocation. The city proposes to
  - » Provide a 12 week "bridge" weatherization post-secondary education/training and green career placement for targeted disadvantaged and dislocated Oakland residents.
  - » Provide education/job training and transitional employment in warehousing and logistics. Upon completion of training and transitional employment, participants will be placed in full-time or part-time employment and/or post-secondary education.
- Nevada County Department of Housing & Community Services will spend $116,000 to support the Drive-By Chipper Program which combines the need of the community with the needs of the individual. Life skills classes will be taught to detained juveniles who will be responsible for clearing brush and dead trees to help prevent wildfires. This program will build employable skills, while maintaining safety in a rural/wooded area.

Vocational Rehabilitation

The Department of Rehabilitation (DOR) has been awarded $56.5 million in vocational rehabilitation Recovery Act funds to support the expansion of consumer services.

- Californians with disabilities will benefit from approximately 1,200 on-the-job training opportunities valued at more than $6 million.
- Recovery Act funds have been used to enhance technological infrastructure, allowing for more effective and efficient services to consumers.
- Hundreds of Californians with disabilities, on a waiting list for services, have now received vocational services.
- Upgraded and added assistive technology in 42 branch and district offices to increase employment outcomes for deaf, hard of hearing consumers.
- In partnership with California Department of Transportation (Caltrans), seven new Business Enterprise Program Vending Facilities sites are under development and will provide new employment opportunities for consumers who are blind and visually impaired.

Independent Living

California has been awarded $5.3 million in Title VII Independent Living Recovery Act funds. The independent living Recovery Act funding will provide support services to individuals with significant disabilities and older individuals who are blind to maximize their leadership, empowerment, independence and productivity and to promote integration and full inclusion of individuals with disabilities into the mainstream of American society.

- In November 2009, the DOR awarded $1.6 million to independent living centers for 6 projects to provide youth outreach and transition, native America independent living service expansion, traumatic brain injury service expansion, Olmstead implementation in peer mentoring, public policy and training.
- In November 2009, the DOR awarded nearly $3.3 million to 13 non-profit programs that provide services to older individuals who are blind. Funding will be used for program development and improvement to stimulate independent living, empowerment and full inclusion of older blind individuals.

Economic Recovery Payments

Economic recovery payments of $250 to an estimated 60 million recipients of Social Security, Supplemental Security Income, Railroad Retirement Benefits and Veterans' Disability Compensation or Pension Benefits are provided via the Recovery Act. Beneficiaries and recipients will receive funds as follows:

- $1.2 billion for Social Security beneficiaries;
- $8 million to Railroad Retirement recipients;
- $262 million to Social Security Income recipients; and
- $74 million to recipients of Veteran's benefits in California.

An additional Recovery Act provision subjects these payments to intercept for child support arrears, or support that was due and has not been paid. In addition, a portion of this recoupment is transferred as revenue to the General Fund. A total of $11.4 million was intercepted for child support arrears with $3.7 million of this amount transferred to the General Fund.

Elderly Nutrition Program

The Recovery Act provided $6.6 million to the California Department of Aging (CDA) for Congregate Meals and $3,242,063 for Home-Delivered Meals, which augmented the existing federally funded Elderly Nutrition Program (ENP) administered by the department.

The Congregate Meals Nutrition Program provides nutritionally balanced meals, nutrition education and nutrition risk screening to Californians and their spouses aged 60 years and older. This program targets low-income minority elderly Californians at senior centers. The Home-Delivered Meals Nutrition Program provides nutritious meals, nutrition education and nutrition risk screening to individuals 60 years of age or over who are homebound by reason of illness or disability, or who are otherwise isolated.

The California Department of Aging used its existing funding formula to distribute these funds to its 33 contracted Area Agencies on Aging (AAA). These AAAs provide services directly or by sub-contract with local service providers. Currently, through the two ENPs, $1.4 million has been spent to serve 166,312 meals to low-income seniors and 135,444 home-delivered meals to low-income homebound California seniors.

Education

Providing a high-quality education for all children is critical to America's economic future. California's economic competitiveness depends on providing every child with an education that will enable him or her to succeed in a global economy that is predicated on knowledge and innovation. "These funds come with significant flexibility, allowing our schools and colleges to meet their most critical needs while continuing to improve student performance," said Glen Thomas, California Secretary of Education.

California is receiving Recovery Act funds to bolster our state's schools and universities so California's future workforce can receive the best education to succeed in and strengthen our state and nation's economy. These funds will protect education funding and important preparatory programs such as Head Start and Work Study, as well as help prevent the layoffs of educators and other school employees. Recovery money will also go to help improve performance in struggling schools, further development of data bases that will accurately manage and analyze individual student data and improve teacher preparation and recruitment.

"These funds come with significant flexibility, allowing our schools and colleges to meet their most critical needs while continuing to improve student performance." — Glen Thomas, California Secretary of Education

The Governor acted swiftly to make California among the first-in-the-nation to tap into Recovery Act funds. The California Department of Education (CDE) also acted quickly to move the first phase of Recovery Act funds to education sub-recipients in response to drastic budget shortfalls.

- Over 20,800 California teachers' jobs have been saved according to federal guidance, through the State Fiscal Stabilization Funds (SFSF), Title I, Individuals with Disabilities Education Act (IDEA), McKinney-Vento Homeless and Nutrition Equipment programs.
- Over 6,200 non-certified jobs have been saved according to federal guidance in California through these programs.
- Over 1,500 local education agencies (LEAs) have received funding in California through the SFSF and other programs.

- California received nearly $1.4 billion in tax credit allocation bonds for the purpose of school facilities. There were 54 California LEAs that benefitted from tax credit bonds, including the 11 largest LEAs in the state. Charter schools were allocated $73.5 million in tax credit bonds and six shovel ready projects have been funded to date.
- The University of California estimates that up to 11,547 jobs were retained as a result of the $716.5 million in Recovery Act funds received.

The Recovery Act added critical funding to existing federal formula grant programs, such as Title I and IDEA and helped support the personnel necessary to sustain and expand essential programs for low-income students and students with disabilities. For example, the summary below shows the five LEAs that received the highest sub award amount from SFSF, Title 1 and IDEA. These five LEAs received grants totaling $1 billion and created and saved 5,301 jobs:

Top Five Sub Award Recipients

Local Education Agency (LEA)	Sub Award Amount	Total Jobs Created or Retained
Los Angeles Unified School District	$806,019,068	4,504
Riverside County Office of Education	52,204,692	65
San Diego Unified School District	83,898,106	117
Fresno Unified School District	60,264,489	304
Long Beach Unified School District	59,733,647	311
Total	**$1,009,915,310**	**5,301**

Source: Recovery Act, Section 1512, first quarter data as reported by sub-recipients to CDE.

State Fiscal Stabilization Fund

The State Fiscal Stabilization Fund (SFSF) program is a new, one-time appropriation of $53.6 billion under the Recovery Act. These funds will help stabilize state and local government budgets in order to minimize and avoid reductions in education and other essential public services. The program will help ensure that LEAs and public institutions of higher education (IHEs) have the resources to avert cuts and retain teachers and professors. The program may also help support the modernization, renovation and repair of school and college facilities.
The Recovery Act allocates the following under SFSF:

- A one-time appropriation of $53.6 billion for the overall State Fiscal Stabilization Fund of which
    - » $39.7 billion in Education State Grants for states to use first in restoring state support of primary, secondary and higher education through 2011 to the greater of 2008 or 2009 levels and $8.8 billion in Government Services Grants to support any public safety or other government services, including education;

» At least $4.4 billion (up to $700 million for California) to fund Race to the Top (RTTT) grants, which fund education reform in four key areas: standards and assessments, building education data systems, increasing teacher effectiveness and turning around our lowest-achieving schools. RTTT is a competitive grant that requires states to partner with LEAs and other stakeholders to improve student achievement and close the achievement gap. California has been engaged in this collaborative process, working to develop a highly competitive application and state plan;

» Up to $650 million in competitive grants to LEAs or nonprofit organizations under the Investing in Innovation Fund.

Elementary and Secondary Education Act of 1965 Title I Grants to LEAs

The Recovery Act provides $10 billion in additional fiscal year 2009 Title I, Part A funds to LEAs for schools that have high concentrations of students from families that live in poverty to help improve teaching and learning for students most at risk of failing to meet state academic achievement standards. The additional resources will enable LEAs to serve more students beyond the approximately 18 million currently served and boost the quality of teaching and learning. These funds are awarded to the CDE and allocated to LEAs. California has been awarded $1.1 billion in Title I funds.

Special Education/Individuals with Disabilities Education Act

Funds will be provided through the following funding streams (in addition to regular IDEA funding):

- $11.3 billion for IDEA Part B State Grants (California: $1.2 billion).
- $400 million for Part B Preschool Grants (California: $41 million).
- $500 million for Part C Infant and Toddlers Grants (California: $53.2 million).

The Individuals with Disabilities Education Act is designed to protect the rights of students with disabilities by ensuring that everyone receives a free appropriate public education, regardless of ability. IDEA strives not only to grant equal access to students with disabilities, but also to provide additional special education services and procedural safeguards.

Title II-D Enhancing Education through Technology Grants

California has been awarded $71.5 million of the $650 million available through the Recovery Act for the Enhancing Education Through Technology (Ed Tech) program, to be distributed both by formula and competitive grants. The Ed Tech program is a one-time source of funds that provides an opportunity for state educational agencies, eligible LEAs, eligible local entities and schools to implement 21st century classrooms using new and emerging technologies, creating state-of-the-art learning environments and offering additional training and support for teachers to help students achieve academically and acquire the skills needed to compete in a global economy.

Impact Aid Construction Grants

California has received $1.4 million of the $100 million in Recovery Act funding available for the Impact Aid Construction program. Impact Aid funds are intended for the modernization of elementary and secondary schools in eligible LEAs that receive Impact Aid based on their services to children whose parents are members of the uniformed services, who live on Indian lands, who live on federal property or federally subsidized low rent housing and/or whose parents work on federal property.

Education for Homeless Children and Youth Grants (Title X McKinney-Vento Homeless Assistance)

California received $13.8 million of the $70 million in Title X Recovery Act funds, based on the number of homeless students identified by the state during the 2007–08 school year relative to the number of such children identified nationally during that school year. The McKinney-Vento program supports an office for coordination of the education of homeless children and youths in each state, to gather comprehensive information about homeless children and youths and the impediments they must overcome to regularly attend school.

Child Nutrition Equipment Assistance

The Recovery Act has provided a one-time appropriation for equipment assistance to school food authorities participating in the National School Lunch Program. These grants were awarded on a competitive bases, with priority given to sites with at least 50 percent of children eligible for free or reduced-price meals. Eligible applicants included School Food Authorities participating in the National School Lunch Program. National School Lunch Program sponsors include public schools, charter schools, private schools, residential child care institutions and juvenile detention/probation facilities.

The California Department of Education shared more than $12.8 million in 2009 Equipment Assistance Grants with 242 School Food Authorities in 48 counties.

This funding is critically needed by districts and other agencies to buy new or replace outdated and inefficient food preparation equipment so they may boost the amount and quality of meals offered to California students.

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Federal Pell Grants

The Recovery Act provides $17.1 billion in additional funds for students across the country in need of Pell Grants and allowed the U.S. Department of Education to raise the maximum Pell award from $4,731 to $5,350. Pell Grants are awarded based on student applications, not by state. The Federal Pell Grant program, in combination with other federal student assistance programs, assists low- and middle-income individuals in meeting the cost of a postsecondary education. The program also promotes lifelong learning by encouraging low-income adults now in the workplace to return to school to upgrade their skills. As of December 9, 2009, over $983 million in Pell Grants have been awarded to students attending schools in California.

Work Study Funds

The Recovery Act provides an additional $200 million to the Work-Study program, providing colleges and universities with additional funding to provide jobs to students to help with their college and living expenses. Work Study funds are distributed to qualifying schools which select students based on financial need. Students attending school in California have been awarded over $21 million in Work Study funds.

Head Start

The Head Start and Early Head Start programs will receive $2.1 billion under the Recovery Act. Head Start will receive $1 billion, while $1.1 billion will benefit Early Head Start. Head Start will also benefit from a separate $235 million increase in funding for fiscal year 2009, bringing the total funding increase for Head Start and Early Head Start to more than $2.3 billion. The purpose of the Head Start programs are to promote development and school readiness of low-income children, including children on federally-recognized reservations and children of migratory farm workers. California entities have been awarded a total of $159.7 million.

Qualified School Construction Bonds

The Recovery Act authorized approximately $11 billion in Qualified School Construction Bonds, granting $988 million to California. Sixty percent of the national limit is allocated among the states and forty percent is awarded to the largest school districts in proportion to the respective amounts the state and LEA received under the existing funding formula. Qualified School Construction Bonds can be issued by state and local governments to finance the construction, rehabilitation or repair of public school facilities and the acquisition of land upon which public school facilities are to be built.

Qualified Zone Academy Bonds

The Recovery Act authorizes $1.4 billion in Qualified Zone Academy Bonds, which may be issued by state and local governments to finance renovations, equipment purchases, developing course material and training teachers and personnel at a qualified zone academy. In general, a qualified zone academy is any public school (or academic program within a public school) below college level that is located in an empowerment zone or enterprise community and is designed to cooperate with businesses to enhance the academic curriculum and increase graduation and employment rates. Qualified Zone Academy Bonds are a form of tax credit bonds which offer the holder a federal tax credit instead of interest.

Labor

Recovery Act programs administered nationally through the U.S. Department of Labor and in California through the Labor and Workforce Development Agency are designed to provide job seekers with training for the jobs of today and the future and to lessen the economic impact of the recession on workers and employers by providing extended and expanded unemployment benefits and continued health benefits.

"We are quickly putting funds from the American Recovery and Reinvestment Act to work throughout California, offering not only immediate aid to hundreds of thousands of Californians but also building the foundation of a stronger, more sustainable and environmentally responsible economy for generations to come."
— Victoria Bradshaw, Secretary, Labor and Workforce Development Agency

More than $4.4 billion has been distributed from the Recovery Act across California's economy, providing hundreds of thousands of Californians with unemployment benefits, job training and employment services. These funds serve as an economic lifeline for hundreds of thousands who have lost their jobs as the national recession has spread across our state. These stimulus funds are helping revitalize today's economy and create a workforce equipped with skills to tackle the challenges of tomorrow. "We are quickly putting funds from the American Recovery and Reinvestment Act to work throughout California, offering not only immediate aid to hundreds of thousands of Californians but also building the foundation of a stronger, more sustainable and environmentally responsible economy for generations to come," said Victoria Bradshaw, Secretary, Labor and Workforce Development Agency.

Beginning in March 2009, $415 million in Recovery Act funds was distributed to 49 workforce investment areas throughout the state. Local agencies are now using the money to train thousands of unemployed Californians for jobs and to help them begin new careers they otherwise might not have had the ability to attain. Together these funds have also:

- Started training workers for new careers in green energy industries, as part of the Governor's $75 million Clean Energy Workforce Training Program in partnership with the California Energy Commission.
- Helped 1,500 at-risk young adults through the Green Jobs Corps.
- Placed 40,000 young people in summer jobs.
- Provided opportunities for more than 1,400 veterans to receive job training, employment and mental health services.

These funds serve as an economic lifeline for hundreds of thousands who have lost their jobs as the national recession has spread across our state.

All unemployed workers received a weekly increase of $25 in their Unemployment Insurance (UI) benefits. In addition, unemployed workers in California can receive up to 20 additional weeks of benefits under the Federal-State Extended Duration Benefits (FED-ED) program. These benefits are available to claimants who have run out of UI benefits. Currently, Recovery Act funding will pay 100% of FED-ED benefits through the end of 2009.

Preparing Workers For the Green Economy: Creation of the nation's largest state-sponsored green jobs training program

California has created the nation's largest state-sponsored green jobs training program providing $75 million to the Clean Energy Workforce Training Program. This program creatively combines Recovery Act, state, local and private sector investments and train more than 20,000 workers for jobs in the state's rapidly emerging low-carbon, clean energy economy. To fund the initiative, the Governor invested $10 million in Workforce Investment Act (WIA) Recovery Act funds, coupled with $20 million from the California Energy Commission. The program will:

- Create a workforce this is capable of performing the jobs necessary to meet the state's goals of renewable energy development, climate change reduction, clean transportation and green building construction.
- Focus on unemployed workers, particularly from the construction sector, low-wage workers and those preparing to enter the workforce.
- Teach skills such as installing solar panels, maintaining electric vehicles, programming computers and working on fuel cell technologies.

Green Job Corps

Nearly $10 million in Recovery Act funding, matched by more than $10 million in local resources, created 11 regional California Green Job Corps pilot programs through community colleges, community college districts and workforce investment boards. More than 1,500 at-risk teens and young adults will have access to a range of training and development opportunities, including job-specific training, education, instruction in environmental stewardship and civic responsibility and community service activities. Specifically, they will gain skills for careers in energy/utilities efficiency and sustainability, green construction, green waste, agricultural and natural resources, solar power and alternative automotive fuel. More than 40,000 young people participated in a summer jobs program and gained valuable work experience before returning to school or vocational training.

Targeted Job Training Initiatives

Workforce Investment Act (WIA) discretionary funds provided through the Recovery Act will also help unemployed workers move back into the workforce quickly. Initiatives are targeting laid-off construction workers, veterans and the youth at risk of gang involvement. Participants learn skills needed in health care, information technology and transportation and warehousing.

Senior Community Service Employment Program

The Recovery Act awarded $2 million to California to augment its Senior Community Service Employment Program (SCSEP) program. The SCSEP provides part-time work-based training at local host community service agencies for unemployed low-income seniors who have poor employment prospects. SCSEP also assists participants with transition to private or other employment opportunities in the community and provides a variety of supportive services to the individuals, such as personal and job-related counseling, job training and job referral.

These Recovery Act funds are designated to provide additional worker training and ease the burden of the recession on workers and employers and restore positions that may have been eliminated or reduced due to budget cuts. As of December 2009, Recovery Act funds have allowed 132 more individuals to participate in community service work in various growth industries such as health care, child care, education, green jobs, energy efficiency and environmental services.

Transportation

The Recovery Act provided the nation with over $46 billion in funding for transportation programs that will provide employment, encourage economic growth and provide a much needed infrastructure investment for the country. California has been apportioned over $3.6 billion from the Act for highways and transit improvements. These apportionments are broken down as follows:

- Highways — Eligible highway projects in Californian can expend up to $2.6 billion. These projects should achieve substantial completion by February 2012.
- Transit — Eligible transit projects can expend up to $1 billion for California. The majority of these funds are granted from the Federal Transit Agency to transit operators. These funds remain available until September 2012.
- Aviation — Nineteen California airports have received over $100 million from the Federal Aviation Administration for projects to upgrade these airport facilities. These projects should have substantial completion by February 2011.

The Recovery Act also provided for two competitive discretionary grant programs. Project selections will be announced by the United States Department of Transportation in 2010.

- Transportation Investment Generating Economic Recovery (TIGER) Grants - $1.5 billion national competitive grant program for Highway, Transit, Freight, Rail or Port projects of national or regional significance. The maximum any state can receive is $300 million. California submitted 117 projects requesting a total of $3.2 billion. The successful projects should have substantial completion by February 2012.
- High Speed/Intercity Passenger Rail — Nationally, there is $8 billion for competitive grants program for Capital Assistance for High Speed Rail and Intercity Passenger Corridors. These funds remain available until 2015.

California is well positioned to fully invest the Recovery Act funds provided for transportation. Plans are in place to ensure that all of these funds are going to work for Californians and provide much needed transportation improvements.

Highway Infrastructure Investment Funds

The California Department of Transportation (Caltrans) has received federal approval to use over $2 billion in Highway Infrastructure Investment funds on more than 700 state and local highway projects.

Contractors have been awarded over 370 of these construction projects, which use $1.3 billion in Recovery Act funds and leverage additional funds to provide construction contracts valued at more than $2 billion. The remaining projects are in the process of seeking bids from contractors or awarding the projects. Construction on these projects will begin over the next several months.

The projects on the state highway system will repave or rehabilitate over 400 center line miles of roadway, rehabilitate or replace seven bridges and provide safety, operational mobility improvements at 13 other locations. The $625 million from the Recovery Act provided the additional funds needed to fully fund the delivery of the 2008–09 State Highway Operations and Protection program.

When the economic crisis affected the sale of the Proposition 1B bond, the Recovery Act provided much needed funding to four major projects that were originally funded from the Proposition 1B programs. These projects, which are now ready for construction, are described as follows:

- In Alameda and Contra Costa Counties, Caltrans awarded the construction contract for the 4th bore for the Caldecott Tunnel on State Route 24 which will add two new lanes to improve traffic through the corridor. This $214 million construction project, with $192 million of Recovery Act funds, is the largest amount of Recovery Act funds used on a single project in the nation. Work will begin on this project in early 2010.
- In May of 2009, Caltrans broke ground for the north bound high-occupancy vehicle lane on Interstate 405 in the City of Los Angeles. This project will provide an additional lane and significantly reduce the delays experienced in this corridor. This $721 million construction project, with $190 million in Recovery Act funds, is the second largest amount of Recovery Act funds spent on a single project. This project is also the single largest project with Recovery Act funds in the nation.
- In September 2009, the Interstate 215 reconstruction project located in the City of San Bernardino broke ground. This project will add one mixed flow and one high occupancy vehicle lane in each direction and upgrade the city street interchanges. This $154 million construction project, with $128 million of Recovery Act funds, will greatly improve the mobility within the Inland Empire.
- In May of 2009, Caltrans began construction on the State Route 905 project to construct three miles of six-lane freeway in the City of San Diego. When fully constructed, this freeway will provide direct access from the Otay Mesa Port of Entry on the Mexican border to Interstate 805. This $67 million construction project, with $57 million of Recovery Act funds, will improve access, thus trade, between Mexico and the United States.

The cities and counties of California will use over $1 billion of these funds on more than 600 projects to construct new roads, repave existing roads, rehabilitate existing bridges to ensure their continued safe operation and construct pedestrian and bicycle improvements throughout the state.

Through the hard work by Caltrans and their local agency partners, over 49 highway projects have been completed. The completed and the ongoing projects have reported employing over 24,000 California workers.

- California leads the nation with more than $2 billion of Recovery Act Funds approved for use on state and local highway projects.
- California contractors have been awarded more than 370 construction projects valued at more than $2 billion. These construction projects will preserve existing infrastructure and provide additional lanes to improve mobility for the traveling public.
- Contractors have met Underutilized Disadvantaged Business Enterprise goals on 56 percent of the contracts awarded by Caltrans. Overall these contracts have attained 2.7 percent utilization toward the overall goal of 13.5 percent. Local agencies will be reporting their utilization in early 2010.
- The Small Business Administration and Caltrans signed a memorandum of understanding for a Surety Bond Guarantee Program. This is the first such partnership in the nation and one of the top ten recommendations from participants at the Governor's Conference on Small Business & Entrepreneurship.
- The joint Bonding Assistance Initiative helps qualified small business access bond guarantees — which are required on Caltrans construction contracts and are currently difficult for small businesses to attain.

Transit

Caltrans has received federal approval for $34 million to fund local transit agencies in small urban areas. These agencies will use these funds to purchase over 130 transit vehicles, construct transit facilities, improve access for the disabled and provide for equipment to maintain and operate transit systems. Those Californian's that rely on transit for access to jobs, markets, health care and families will benefit from having more reliable, fuel efficient and safer transit vehicles and operational facilities.

Capital Assistance for High Speed and Intercity Passenger Rail Corridors

The Recovery Act provides $8 billion nationally for Capital Assistance for High Speed Rail and Intercity Passenger Rail corridors. The state submitted applications to the Federal Railroad Administration that total $1.1 billion for intercity passenger rail projects and $4.5 billion for High Speed Rail projects within California. Grant awards are expected to be announced in 2010.

Energy

The Recovery Act provides more than $62 billion nationally in energy related-funding for programs, tax credits and financial incentives. California will receive Recovery Act funds to support existing energy efficiency and renewable energy programs including the State Energy Program and the Energy Efficiency and Conservation Block Program. Funding will also go to modernize the state's electric grid, or "Smart Grid," which will enhance energy infrastructure security and ensure reliable electricity delivery. A portion of this funding will be allocated for projects and programs to reduce total energy use, make buildings more energy efficient, weatherize buildings and support renewable energy projects and climate change-related programs.

The majority of federal energy program funds that first flow through the State of California go to the California Energy Commission, the state's principal energy policy and planning organization. The California Energy Commission has been awarded $314.5 million for energy efficiency and renewable energy programs.

Energy Efficiency Conservation Block Grant Program

The Energy Efficiency and Conservation Block Grant Program funds support the development of energy efficiency and conservation strategies and programs, including energy audit programs and projects to install renewable energy projects at government buildings.

California was awarded $351.5 million for local governments to use for projects and programs to reduce total energy use. About $302 million goes directly to large cities and counties. The Energy Commission was awarded $49.6 million and is making up to 70 percent of these funds available to small cities and small counties on a per capita basis with an unemployment adjustment. Grants are a minimum of $25,000 for cities and $50,000 for counties. The remaining 30 percent will be expended at the Energy Commission's discretion for federal Clean Energy Act-related activities to move the United States toward greater energy independence and security and to increase the production of clean renewable fuels domestically.

State Energy Program

The State Energy Program (SEP) provides funding for energy efficiency retrofits of buildings and industrial facilities and supports renewable energy projects and set-up activities. The Energy Commission was authorized $226 million to implement programs that will increase energy efficiency, reduce reliance on fossil fuels, improve reliability of electricity and fuel supply and reduce impact of energy production on the environment.
The California Energy Commission distributed SEP funding as follows:

- Department of General Services Revolving Loan Program to retrofit state-owned buildings with energy efficiency measures — $25 million.
- Green Job Workforce — $20 million.
- Energy Efficiency Financing Program — $25 million.
- Clean Energy Business Financing Program — up to $35 million.
- Energy Efficiency Programs — up to $110 million.
- Program Support — $11 million.

Energy Efficiency State Revolving Loan Program

The California Department of General Services (DGS) was awarded $25 million from the California Energy Commission SEP grant and funded the Energy Efficiency State Revolving Loan Program. The program provides loans to assist departments and agencies in the implementation of energy efficient projects in state-owned and managed buildings. These projects could include installing new heating and ventilation systems, upgrading lighting, improving control systems and optimizing the performance of existing systems. Loans will concentrate on projects that reduce electricity use during peak demand periods, have long-term savings, can save and create jobs and have a shorter payback period. DGS plans to invest approximately $13 million to upgrade buildings requiring more sophisticated energy efficiency retrofits. The balance of the funds will concentrate on smaller building retrofits or "tune-ups" with a payback period of five years or less.

Green Job Workforce Development

Almost $75 million will be invested in green jobs and the Clean Energy Workforce Training Program to create a well-trained workforce capable of filling the jobs necessary to promote renewable energy development, climate change strategies, vehicle fuel technology and green buildings.

Energy Efficiency Financing Program/Ultra-Low Interest Loan Program

The Energy Efficiency Finance Program will provide a one-percent interest loan funded with $25 million in SEP funds for eligible public energy efficient and renewable energy projects in California. Cities, counties, special districts, public schools, colleges, universities, public care institutions and public hospitals are all eligible to apply. The SEP low interest loan program builds on the Energy Commission's existing Energy Conservation Assistance Account Program. Loans must be paid from energy cost savings within 11 to 15 years. To date five local agencies (County of Marin, City of Los Angeles, City of Carlsbad, town of Hillsborough and City of Clovis), have received loans totaling $6.7 million.

Clean Energy Business Financing Program

The Energy Commission will also provide up to $35 million in low-interest loans to eligible applicants that manufacture, improve or expand their facilities in California. This program will further encourage California companies to invest in energy efficiency and renewable energy components systems and technologies, such as LED lighting, electricity generation using wind, solar and bio-energy, geothermal, heating and cooling systems that will lead to green job creation.

Energy Efficiency Programs

The following programs are designed to achieve cost effective energy efficiency in existing residential and nonresidential buildings. Up to $110 million is available for these efforts.

The Municipal Financing Program — California law allows the legislative bodies of cities, counties, or groups of cities and counties in California to create a financing district in which property owners may enter into contractual assessments to finance the installation of energy efficiency or distributed renewable energy generation improvements that are permanently fixed to real property. Property owners would repay these assessments with their property taxes and the lien associated with this assessment would have priority over previously-recorded private liens (such as a mortgage).

The Comprehensive Residential Building Retrofit Program — The purpose of this program is to deploy re-trained construction workers, contractors and youth entering the job market to improve the energy efficiency and comfort of California's existing housing, creating a sustainable energy workforce. In addition to pursuing energy retrofits in market-rate housing, the program will coordinate with and leverage local affordable housing and neighborhood stabilization programs to bring the advantages of energy efficient housing to underserved, economically disadvantaged populations.

The Municipal and Commercial Building Targeted Measure Retrofit Program — This program will focus on achieving significant energy savings from targeted retrofit measures where opportunities exist in large numbers across the state's municipal and commercial building sectors.

Energy Efficient Appliance Rebate Program and Energy Star Recovery Funding — Establish a state Energy Star® rebate program using the$35.2 million allocated to California for consumer purchases of new Energy Star® qualified home appliances.

Energy Assurance Planning Program

Funding for this program, totaling $3.6 million, will support state planning and energy assurance capabilities by improving state emergency preparedness plans to ensure quick recovery and restoration from energy supply disruptions. Funding will also be used to train staff on energy infrastructure and supply systems, as well as conduct and participate in state or regional energy and emergency exercises.

Weatherization Assistance Program

The California Department of Community Services and Development (CSD) was awarded $185 million for its Weatherization Assistance Program (WAP). This award represents a significant increase from prior allocations which have remained steady of the past five years, providing between $6 and $7 million a year. Funding supports improvement of energy efficiency in dwellings owned or occupied by low-income persons. To date, 10 percent of the funds have been award to local agencies for start-up and capacity building activities such as training and administrative preparation. As of December 11, 2009, 22 of 36 contract amendments have been executed to existing WAPs totaling $49.5 million.

Transportation Electrification

The Recovery Act provides $400 million for transportation electrification. This will be distributed as grants that either encourage the use of plug-in electric drive vehicles or for projects that implement electric transportation technologies that would significantly reduce greenhouse gas emissions and the use of petroleum. Funding would go directly to state entities, local governments, air pollution control districts, metropolitan transportation authorities or non-profits. The Energy Commission will be providing about $17.5 million in Alternative and Renewable and Vehicle Technology matching funds to California entities that receive federal awards for installation of thousands of new electric vehicle charging sites. Two California organizations have thus far received nearly $46 million in funding.

Alternative Fueled Vehicles Program

This competitive grant program is for state and local governments to purchase alternative fuel vehicles and infrastructure. The Energy Commission will be providing about $18.4 million in Alternative and Renewable and Vehicle Technology match funds to California entities that receive federal awards to expand the purchase of alternative fuel vehicles and supporting infrastructure. To date, three California entities have been awarded almost $32 million for projects to deploy alternative-fueled heavy duty vehicles and build infrastructure:

- Southern California Association of Government: $6.9 million.
- San Bernardino Associated Governments: $9.9 million.
- South Coast Air Quality Management District: $15 million.

Applied Research, Development, Demonstration and Deployment Activities

These competitive grants are available for energy efficiency and renewable energy research, development, demonstration and deployment and directly allocated to universities, business and national laboratories. Thus far, California has received over $14 million in grants:

- Approximately $595,000 to three California companies for wind energy projects.
- $9.3 million for five solar projects.
- $4.3 million to two California companies for projects seeking to accelerate and commercialize fuel cell technology.

U.S. Department of Agriculture Energy Programs

The U.S. Department of Agriculture made $57 million in grants available for projects that use wood-to-energy and biomass to promote the development of biofuels and reduce hazardous fuels that increase wild-land fires. California was awarded $4.5 million to restart an existing cogeneration facility in Humboldt County and $248,000 to re-open a closed cogeneration facility in Shasta County.

Military Facilities

The Department of Defense received $7.4 billion in Recovery Act funds with approximately $1.9 billion earmarked for energy efficiency improvements and renewable projects for military facilities. California was awarded more than $245 million to 29 California military facilities for energy improvements and renewable projects in these areas:

- $172.8 million for Facilities Sustainment, Restoration & Modernization.
- $10.7 million for Military Construction.
- $61.9 million for Energy Conservation Improvement.

Qualified Energy Conservation Bonds

The Recovery Act increased the national limit on the issuance of Qualified Energy Conservation Bonds from $800 million to $3.2 billion, granting approximately $381 million to California. Qualified Energy Conservation Bonds can be issued by state and local governments to fund a wide range of activities, including capital expenditures that reduce energy consumption in public buildings by at least 20 percent, the production of electricity from renewable energy resources in rural areas and green community programs.

Clean Renewable Energy Bonds

The Recovery Act increased the national limit on the issuance of Clean Renewable Energy Bonds by $1.6 billion. Clean Renewable Energy Bonds can be issued by state and local governments and public utilities, to finance the construction of clean energy projects including wind, biomass, geothermal, solar, municipal solid waste, small irrigation power or hydropower.

Water & Environment

California has long been a world leader in environmental issues and often sets the stage for future developments in the sector. The state's growing population, combined with limited investment in water infrastructure, has placed additional strains on systems that the Recovery Act aims to alleviate.

Clean Water and Drinking Water State Revolving Funds

The Recovery Act provides significant funding for states to finance infrastructure projects needed to ensure clean and safe drinking water. Approximately $6 billion is available nationally through the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund program. States must provide at least 20 percent of their grants for green projects, including green infrastructure, energy or water efficiency and environmentally innovative activities.

Drinking Water State Revolving Fund

The California Department of Public Health (CDPH) received $159 million in Recovery Act funds from the U.S. EPA to supplement the existing Safe Drinking Water Revolving Fund for infrastructure development for California's drinking water systems, for loans and grants to fund water system infrastructure corrections and for repairs and improvements to meet safe drinking water requirements.

- California received the largest allocation from the Drinking Water State Revolving Fund in the United States—over 8 percent of the $2 billion available.
- Fifty-two local water systems are currently completing infrastructure projects using Recovery Act funds. These drinking water systems serve over 5.3 million Californians.

Clean Water

The CWSRF program provides an innovative method of financing a range of environmental projects that promote and protect water quality. The $283 million in Recovery Act funds received effectively doubled California's annual funding. "The State Water Board staff has done a tremendous job of increasing, by more than two-fold, the amount of money it normally grants and loans to projects in California through the Clean Water State Revolving Fund and they have done it in half the time it normally takes," said Charlie Hoppin, Chair, State Water Resources Control Board.

The ability to provide grants, not just loans, allowed the State Water Resources Control Board (Board) to further high priority projects that weren't financially viable as loans. These included critical wastewater and water quality projects in disadvantaged communities. This flexibility has also allowed the Board to fund long stalled projects that were promised or begun when the state's economic crisis stopped anticipated bond sales.

> *"The State Water Board staff has done a tremendous job of increasing, by more than two-fold, the amount of money it normally grants and loans to projects in California through the Clean Water State Revolving Fund and they have done it in half the time it normally takes."*
> *— Charlie Hoppin, Chair, State Water Resources Control Board*

The Board was also able to provide both grants and very low-interest loans for innovative green projects and waste water projects for a wide range of communities that would otherwise have had to manage a larger debt to accomplish the same important water quality work.

- $88.7 million in grants to improve 25 wastewater systems in disadvantaged communities.
- $46.2 million in grants for 51 stalled bond projects.
- 32 innovative green projects.

California provided 65 percent of the ARRA funds as grants. As of January 2010, $227 million has been allocated to 98 projects under construction.

Bureau of Reclamation Programs

The U.S. Department of Interior will invest $1 billion under the Recovery Act in America's water infrastructure, providing $260 million to projects in California that will expand water supplies, repair aging water infrastructure and mitigate the effects of a devastating drought the state is currently experiencing. Thus far, more than 30 water infrastructure projects will be funded in California under the Recovery Act. Examples include:

- $40 million for immediate emergency drought relief in the West, focused on California including installation of groundwater wells to boost water supplies to agricultural and urban contractors, the facilitation of the delivery of federal water to reclamation contractors through water transfers and exchanges and the installation of rock barriers in the Sacramento Delta to meet water quality standards during low flows.

- $109.8 million to build a screened pumping plant at the Red Bluff Diversion Dam to protect fish populations while delivering water to agricultural users irrigating approximately 150,000 acres.
- $22.3 million to address dam safety concerns and $8.5 million to repair water-related infrastructure at the Folsom Dam near Sacramento.
- $20 million for the Contra Costa Canal to protect water supplies for 500,000 Californians and to build fish screens to restore winter-run Chinook salmon and the endangered Delta smelt.
- $26 million for Battle Creek Salmon/Steelhead Restoration project, which will help restore fisheries that support thousands of jobs in northern California.

An additional $135 million is available for grants for water reuse and recycling projects. California is emerging as a leader in the development of these projects and is expected to also significantly benefit from this funding.

U.S. Army Corps of Engineers

The Recovery Act directly appropriated $4.6 billion to the U.S. Army Corps of Engineers for investigations, construction and operations and maintenance for its various civil works projects (these are mostly for flood control in California). While no money is directly appropriated to the state, the Corps is partnering with the state on federally authorized flood control projects for which federal, state and local governments share the costs.

California has received more than $400 million for projects throughout the state. Recovery Act funds will be used to complete increments of work on previously started projects and in some cases to complete such projects. These projects include modifications to Folsom Dam, the State Plan of Flood Control, the Napa River Flood Protection Project and other projects in Central and Southern California. Many of these projects strengthen the state's resources, address much needed infrastructure improvements and enhance environmental habitat for endangered species. Projects strengthen commerce with improved shipping lanes while others provide safe recreational opportunities.

National Clean Diesel Campaign/Emissions Reductions

The Clean Diesel Program will issue a total of $300 million in grants to help regional, state and local governments, tribal agencies and non-profit organizations with projects that reduce diesel emissions to provide more immediate air quality benefits and improve public health. This Recovery Act funding is split into four funding categories:

- The National Clean Diesel Funding Assistance Program ($156 million): Awarded on a competitive basis to support diesel emission reduction programs.

- The National Clean Diesel Emerging Technology Program ($20 million): Awarded to projects that support the use, development and commercialization of emerging technologies that reduce emissions from diesel engines.
- The SmartWay Clean Diesel Finance Program ($30 million): Goal of awards is to support the creation of national, state or local innovative clean diesel financing program.
- The State Clean Diesel Grant Program ($88 million): Funds will support clean diesel grant and loan programs administered by states and the District of Columbia.

California will receive a total of $32.1 million, the most in the nation, from these programs with $15.6 awarded to the California Air Resources Board.

National Clean Diesel Funding Assistance Program

The Recovery Act provided $156 million in new funding for the National Clean Diesel Funding Assistance Program to support the implementation of verified and certified diesel emission reduction technologies. California received a total of $25.4 million in grants from this program. Projects installed filters on 103 delivery trucks, 46 engines and 315 school buses; replaced, repowered or retrofit 145 pieces of cargo handling equipment; repowered 30 non-road agricultural vehicles; and repowered 11 older switch yard locomotives.

National Clean Diesel Emerging Technology Program

The Recovery Act provides $20 million for the Clean Diesel Emerging Technologies Program which supports cutting edge technologies that reduce diesel emissions from the existing fleet of diesel engines. Three California entities were awarded a total of $5.3 million of the $20 million available under this program.

SmartWay Clean Diesel Finance Program

The SmartWay Clean Diesel Finance Program is a competitive grant program that will support the creation of national, state or local innovative clean diesel financial programs. Innovative financial programs included those where the loan recipient received a unique financial incentive (i.e., better than regular market rates or conditions) for the purchase of retrofitted vehicles or equipment. The California Air Resources Board (ARB) has been awarded $5 million of the $30 million available nationally for this program and will partner with California Pollution Control Financing Authority to create a loan guarantee program—Providing Loan Assistance to California Equipment (PLACE). PLACE will provide small fleet owners that traditionally fall just out of range of the lenders' financing standards access to credit to purchase cleaner replacement vehicles or pollution reducing devices.

State Clean Diesel Grant Program

The Recovery Act provides $88 million in new funding to support clean diesel grant and loan programs. These programs are designed to achieve significant reductions in diesel emissions. ARB received an allocation of $1.7 million to retrofit school buses. The ARB split the funds between five local air districts. The participating air districts completed over 80 retrofits by September 30, 2009—within six months of receiving the award.

Leaking Underground Storage Tanks Program

There are approximately 611,000 underground storage tanks nationwide that store petroleum or hazardous substances. The greatest potential threat from a leaking tank such as these is contamination of groundwater, the source of drinking water for most Americans. The Recovery Act provides a supplemental appropriation of $200 million from the Leaking Underground Storage Tank (LUST) Trust Fund to clean up releases of contamination from federally regulated underground storage tanks. The State Water Resources Control Board received $15.6 million of these funds to speed cleanup and redevelopment of petroleum contaminated sites.

The majority of this funding will be distributed through the California Petroleum Contamination Orphan Site Cleanup Fund Program (Orphan Program). This program provides grants to public agencies, non-profit and private entities for the cleanup of gasoline contaminated sites without a known, willing or able responsible party to undertake the cleanup. To date, five projects have received grants and 16 projects are going through the Orphan Program grant process.

The multiplier effect for job creation is significant at these sites. Not only will jobs be created by the assessment and cleanup of the sites but many of the sites will also be redeveloped into residential and commercial use and green space. Once developed, these former orphan sites will contribute to the local tax base in their communities.

Brownfield Assessment and Cleanup Grants

The Recovery Act contains $37.3 million in U.S. EPA Brownfields grants split between assessment grants and cleanup grants. Assessment Grants will be used to conduct site assessment and planning for eventual cleanup at one or more Brownfields sites or as part of a community-wide effort. For the Recovery Act funding available, seven of the 104 projects chosen are in California: Five projects are receiving $400,000, providing $200,000 for hazardous substances and $200,000 petroleum. One city is receiving $350,000 for hazardous substances and one is receiving $200,000 for petroleum.

One shovel-ready project leveraged the $1.7 million loan to secure additional financing from the U.S Department of Housing and Urban Development to clean up a lead contaminated property in San Francisco.

Cleanup Grants will provide funding for grant recipients to carryout cleanup activities at Brownfield sites they own. For the $7.5 million in Recovery Act funds available, four of the 39 projects chosen are in California. Each project will receive $200,000 for cleanup efforts. Two will address hazardous substances and two are for petroleum.

Brownfield Revolving Loan Fund

Communities in 55 state or local governments will receive $42 million in Recovery Act funding for Brownfields Revolving Loan Fund Grants to help communities carry out cleanup activities, redevelopment projects and create jobs for local residents living near Brownfields sites.

U.S. EPA provided three California Brownfields Recovery Act Revolving Loan Fund Grants totaling nearly $2.8 million.

One shovel-ready project leveraged the $1.7 million loan to secure additional financing from the U.S Department of Housing and Urban Development to clean up a lead contaminated property in San Francisco.

National Oceanic and Atmospheric Administration Grants

The National Oceanic and Atmospheric Administration (NOAA) awarded $167 million in Recovery Act funding nationwide to restore coastal wildlife habitats and help jumpstart the nation's economy. The State Coastal Conservancy received a total of $10.6 million for to support two wetland restoration projects—$7.6 million in the San Francisco Bay and $3 million in the San Diego Bay. Through 2010, the projects will support more than 300 jobs for construction workers, engineers, restoration ecologists, landscape architects, hydrologists and biologists.

An additional $102 million in Recovery Act funding from the NOAA will go to the agency's Southwest Fisheries Science Center Laboratory. This project will replace the existing facility in La Jolla, California with a new, federally-owned facility at a University of California, San Diego site.

Natural Resources Conservation Service

With Recovery Act funding, the U.S. Department of Agriculture's Natural Resources Conservation Service (NRCS) is providing technical and financial assistance to states and local governments to implement projects to protect watersheds, mitigate flooding and improve water quality. The projects will put Americans to work on important projects such as soil erosion reduction, improve rural, municipal and industrial water supply, control sediment, enhance fish and wildlife habitats; and restore and create functioning wetlands. The funds allow NRCS to purchase permanent easements on floodplains and install conservation measures such as planting native grasses, trees and shrubs, as well as restoring the natural hydrology of the area. California has been awarded $8 million for these types of projects.

Rural Development Water and Waste Disposal

Recovery Act funds support safe drinking water, improve wastewater treatment systems and protect the environment. Loans and grants administered through the Rural Development Agency's Water & Waste Disposal programs will provide funding and technical assistance for drinking water, sanitary sewer, solid waste and storm drainage facilities in rural areas and cities and towns of 10,000 or less. As of September 30, 2009, California has received $17 million to provide clean, reliable drinking water in rural areas.

California Conservation Corps Efforts

The California Conservation Corps (CCC) received more than $5 million in funding for 12 projects across California. This has allowed the CCC to provide employment opportunities for more than 83 young people for work on natural resource projects throughout the state. The projects have included developing and maintaining trails, reducing the likelihood of catastrophic fires in four different federal forests and enhancing fisheries habitat along California's North Coast. "Emotions were running high on Monday in the San Bernardino National Forest. The first shovel, in the hands of the first set of workers, made its way into the first bit of ground broken for the 'first project' financed by the federal stimulus bill. Well maybe not the first project—that was claimed by Missouri for work on a dilapidated bridge. ... But the California Conservation Corps gets first dibs on the implement."— New York Times, March 16, 2009

The CCC's first-in-the-nation shovel-ready project, the work in the San Bernardino National Forest, has generated:

- 33.5 miles of trails rehabilitated.
- 475 feet of new trail constructed.
- 1,990 feet of fencing installed.
- 400 pounds of seed spread.

"Emotions were running high on Monday in the San Bernardino National Forest. The first shovel, in the hands of the first set of workers, made its way into the first bit of ground broken for the 'first project' financed by the federal stimulus bill.

Well maybe not the first project—that was claimed by Missouri for work on a dilapidated bridge. ... But the California Conservation Corps gets first dibs on the implement."

— New York Times, March 16, 2009

Science and Technology

Broadband

The Recovery Act provided $7.2 billion primarily for broadband grant programs to be administered by two separate agencies: the National Telecommunications and Information Administration (NTIA) of the Department of Commerce (DOC) and the Rural Utilities Service (RUS) of the U.S. Department of Agriculture (USDA)[1]. Of the $7.2 billion total, the Recovery Act provided $4.7 billion to establish a Broadband Technology Opportunities

1 Recovery Act, P.L. 111-5

Program (BTOP) at NTIA and $2.5 billion for broadband grant, loan and loan/grant combination programs at RUS. California has submitted 217 applications for these monies.

To obtain Recovery Act broadband dollars, states must provide a 10 percent match. To obtain the match, the Office of the Chief Information Officer (OCIO) has partnered with the California Public Utilities Commission (CPUC) and the non-profit California Emerging Technology Fund (CETF) to find, encourage and vet broadband applications.

While the OCIO, working in conjunction with the CPUC and CTEF, has held numerous seminars and workshops to assist California entities with the application process, no funds were awarded to California in the first allocation of $183 million. Additional awards are expected to be announced during the first three months of 2010 and will likely include awards to California entities.

Housing and Community Development

The Recovery Act includes $13.6 billion for projects and programs administered by the U.S. Department of Housing and Urban Development (HUD). State departments dealing with these funds include the California Department of Housing and Community Development (HCD) and the Treasurer's Tax Credit Allocation Committee (TCAC). These programs are designed to help those families hardest hit by the economic crisis and to prevent the further destabilization of our communities. In total there was approximately $10 billion available nationwide for housing programs, of which California received $1.1 billion. To date, achievements of this money's impact in California include:

- Implementing new federal Homeless Prevention and Rapid Re-Housing program, both developed and implemented in record time.
- TCAC awarded $574 million in Recovery Act funds to 106 low income housing projects.
- TCAC will evaluate another 45 projects in December and January 2010.

Homelessness Prevention and Rapid Re-Housing Program

The Homeless Prevention and Rapid Re-Housing program (HPRP) had $1.5 billion available nationally, of which California received $189.1 million for 79 jurisdictions, including $44.4 million for HCD to prevent individuals and families from becoming homeless and help those who are currently homeless get re-housed and stabilized. For the three-year period of the HPRP program, the applicants receiving funds from HCD are projecting to serve 71,190 households.

Community Development Block Grant Program and Recovery

The Community Development Block Grant Program and Recovery (CDBG-R) provides $1 billion nationally. In total, California received $123.3 million distributed to 177 jurisdictions. HCD's allocation was $10.6 million.

Eligible activities of the funds are:

- Housing, including single and multi-family rehabilitation, rental housing acquisition or homeownership assistance and activities that complement new construction.
- Public Works, including water and wastewater systems, rural electrification and utilities such as gas services.
- Community Facilities, including day care centers, domestic violence shelters, food banks, community centers, medical and dental facilities and fire stations.
- Public Services, including staff and operating costs associated with the community facilities.

To date, ten projects totaling $6.8 million have rehabilitated 46 low-income rental housing units; rehabilitated and expanded a public facility that provides learning opportunities and drug and gang prevention services to over 1,000 youth, and replaced water system pipes and wastewater pumps benefiting numerous low-income families and improved drains, curbs and gutters to reduce flooding and residual standing water, benefiting 515 housing units.

Rural Community Development

U.S. Department of Agriculture's (USDA) Rural Development Agency is providing more than $1.1 billion in loans and $61 million in grants from the Recovery Act to fund the construction, purchase and rehabilitation of essential community facilities in rural areas and towns with a population of 20,000 or less.

The Recovery Act is also providing USDA additional funding for programs with proven track records of creating and saving jobs. Through Rural Development's Business & Industry Guaranteed Loan Program, USDA will provide nearly $3 billion to improve, develop or finance business, industry and employment and improve the economic climate in rural communities. Thus far, $245.6 million in Recovery Act funds have flowed into California through USDA's Rural Development Agency's programs.

Housing Tax Credits

Beginning in 2007, real estate and financial institution losses began to dramatically affect investor interest in federal and state Low Income Housing Tax Credits (LIHTCs). As a result, affordable rental housing developers with 2007 or 2008 tax credit awards have been unable to attract investors to purchase tax credits and become part of the project's ownership structure. In addition, those project sponsors who were able to attract tax credit investors were frequently getting much smaller equity investments. With implementation of the Recovery Act, the California Tax Credit Allocation Committee (TCAC) has been able to support nearly 150 shovel-ready rental housing developments (2007 and 2008 projects) by providing either gap-filller finance or cash in lieu of tax credits. In addition to these stalled 2007 and 2008 projects, TCAC also awarded Recovery Act gap-filler awards to 42 rental housing developments receiving 2009 tax credits. Additional projects to 2009 tax credit recipients will be awarded in January 2010.

California received $325.9 million, the largest single award of Tax Credit Assistance Program (TCAP) funding, from the federal Department of Housing and Urban Development. In addition, California has committed to exchanging approximately $340 million in federal tax credits to assist affordable rental housing developments.

California is out-ranked only by Hawaii in the amount of hourly wages needed to afford a two-bedroom apartment at the fair market rent[2]. HCD has estimated that a higher portion of the new residential units needed annually will be multifamily units; approximately 42,000 of those units should be affordable (“subsidized”) rental units. TCAC is the single largest participant in affordable rental housing development in California.

These federal stimulus resources will enable stalled prior year LIHTC projects and new 2009 projects to move forward. An estimated 12,000 affordable rental housing units could be added to address the housing needs in California. Using the National Association of Builders estimates, LIHTC will create about 38,000 jobs for Californians.

Section 1602 Program

To date TCAC has committed $329 million to 67 projects statewide from funding authorized by the tax provisions portion of the ARRA. These provisions provide grants to states for low-income housing projects in lieu of low-income housing credit allocations for 2009 (Section 1602). Like TCAP funding, Section 1602 funds are being used for both investor equity gap-filler and cash in lieu of tax credit equity altogether. Over 150 new units have been funded to provide large family housing and a 82-unit hotel was acquired and rehabilitated to provide services and housing to formerly homeless individuals.

Public Safety

“Ensuring the safety of California residents is a top priority of my Administration—and I want to congratulate local agencies across California for successfully applying for these Recovery funds,” said Governor Schwarzenegger. “These Recovery funds will save jobs for our brave men and women in law enforcement and help local departments continue their efforts in communities across the state,”said Governor Arnold Schwarzenegger. (http://gov.ca.gov/press-release/12919/)
The Recovery Act includes more than $4 billion overall to assist state, local and tribal law enforcement and for other criminal justice activities that help prevent crime and improve the criminal justice system in the United States while supporting the creation of jobs and much needed resources for states and local communities. Additionally, the Department of Homeland Security (DHS) has received approximately $2.8 billion in Recovery Act funding for programs, such as strengthening the nation’s borders, providing new explosives detection equipment to airports, upgrading rail and transit security and improving emergency preparedness and response capabilities. Also included is another $7.4 billion in defense-related appropriations including facilities sustainment, restoration and modernization, new construction and energy efficiency technology investments. This totals $14.2 billion in public safety funding.

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2 *Out of Reach 2009*, National Low Income Housing Coalition
http://www.nlihc.org/oor/oor2009/rankstable.pdf (this chart also includes Dist. Of Columbia and Puerto Rico)

> *"Ensuring the safety of California residents is a top priority of my Administration—and I want to congratulate local agencies across California for successfully applying for these Recovery funds," said Governor Schwarzenegger. "These Recovery funds will save jobs for our brave men and women in law enforcement and help local departments continue their efforts in communities across the state."*
>
> *— Governor Arnold Schwarzenegger*

Edward Byrne Memorial Justice Assistance Grants

Of the more than $4 billion in resources going towards state and local law enforcement and other criminal and juvenile justice activities, the federal Office of Justice Programs (OJP) will be administering $2.8 billion of this funding. Most notably, the Recovery Act provides $2 billion for the Edward Byrne Memorial Justice Assistance Grant (JAG) Program and $225 million in Edward Byrne Competitive Grant Program funding to help communities address targeted needs.

The California Emergency Management Agency (Cal EMA) is handling the $135.6 million in Edward Byrne Memorial Justice Assistance Grant (JAG) state allocation money and $89.7 million has been awarded to individual local jurisdictions. These funds can be used to support a broad range of activities to prevent and control crime and improve the criminal justice system. Over $18.7 million has come into California as part of the Edward Byrne Competitive Grant Program.

To date, Cal EMA has worked with stakeholders to develop Requests for Applications to implement ten JAG programs funded in the Amended 2009 Budget to combat some current trends in crime and violence plaguing California. Of the programs identified below, the following Requests for Applications have already been issued:

- Anti-Human Trafficking.
- Drug Task Force Training (with CDAA).
- Evidence-Based Probation Supervision.
- Firearms Trafficking.
- Substance Abuse Offender Treatment.
- Regional Anti-Gang Intelligence-Led Policing.

The Request for Applications for the four remaining Recovery JAG programs are anticipated to be released as follows:

- January 2010 — Enhancement to personnel for the Cal-MMET and ADA Programs;
- January 2010 — Re-entry Courts Program;
- March 2010 — Victims Information Notification Everyday (VINE), with a start date of May 1, 2010.

Community Oriented Policing Services

The Community Oriented Policing Services (COPS) Hiring Recovery Program (CHRP) provides $1 billion in national grants to support 100 percent of the cost for approved entry-level salaries and benefits for newly-hired, full-time sworn officer positions (including filling existing unfunded vacancies) or for rehired officers who have been laid off (or are scheduled to be laid off) as a result of local budget cuts. Funds will support these positions for three years and will create and retain law enforcement jobs.

Over $211 million has been awarded to organizations in California, more than 21 percent of the funds available nationally. Of the 109 law enforcement agencies in California receiving funds, 45 were awarded more than $1 million, with the largest award received by the City of Oakland ($19.7 million supporting 41 officers). Also receiving eight-figure grants were the San Francisco Police Department ($16.6 million for 50 officers), the City of Los Angeles ($16.3 million for 50 officers), the Riverside County Sheriff's Department ($13 million for 50 deputies) and the City of Fresno ($10.2 million for 41 officers.) Overall, nearly 650 police officers were hired or rehired as a result of the Recovery Act.

Violence Against Women Act Grants

The Recovery Act grants $225 million to the Office on Violence Against Women (OVW) for five of its existing programs that protect the most vulnerable and victimized. All funds awarded directly to the state are being administered through five programs by the Victim Services Branch within Cal EMA. Since receiving the $16.2 million in funds awarded to California, all efforts were made to enhance existing programs to serve a new victim type or service area (i.e., sexual assault, domestic violence, northern region), maintain programs for another year when program funding was eliminated such as the Gay, Lesbian, Bi-sexual, Transgender and Questioning Domestic Violence Program and to support multidisciplinary culturally competent training for victim service providers.

STOP Formula Grant Program

The Services Training Officers Prosecutors (STOP) Formula Grant Program is one of two federal formula grant programs under the Violence Against Women Act (VAWA). The Recovery Act provides additional, one-time funding under the STOP Formula Grant Program with an emphasis on 1) hiring and retaining criminal justice and victim services personnel who respond to violent crimes against women and 2) supporting strategies that create and preserve jobs and promote economic growth while improving responses to domestic violence, sexual assault, stalking and dating violence.

The State of California received $13.3 million of the $140 million available nationwide for STOP programs. These funds will help support a coordinated, multidisciplinary approach to stopping and responding to these crimes against women and offer an opportunity to state administrators and survivors of violence to be part of and benefit from the Recovery Act.

Grants to State Domestic Violence and Sexual Assault Coalitions

The Recovery Act provides $8.8 million nationally for State Sexual Assault and Domestic Violence Coalitions to support the coordination of state victim services activities, including collaboration and coordination with federal, state and local entities. State Sexual Assault Coalitions and State Domestic Violence Coalitions were able to receive up to $78,125 each. The California Coalition Against Sexual Assault received this maximum award on behalf of California.

Discretionary Grant Programs

The Recovery Act provides $43 million for the Transitional Housing Assistance Program Grant for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault Program to provide holistic, victim-centered transitional housing services and related support services that move individuals into permanent housing. Seven California organizations received a total of $3.4 million to provide these services to Californians.

A total of $20.8 million is provided for the Tribal Governments Grant Program and $2.8 million for Tribal Sexual Assault and Domestic Violence Coalitions to enhance the ability of Tribes to respond to violent crimes against Indian women, enhance victim safety, develop education and prevention strategies and provide technical assistance to member programs. The Strong Hearted Women's Coalition of California received $246,400 and five California-based tribal governments received a total of $2 million.

Victims of Crime Act Grants

The Recovery Act included a direct appropriation of $100 million in grant funding to be administered by the Office for Victims of Crime (OVC). Of the total available, 95 percent will be distributed among eligible state Victims of Crime Act (VOCA) agencies that provide compensation and assistance to victims.

CalEMA received $2.9 million in State Victim Assistance Formula Grant program money and has released four Requests for Applications for the VOCA funding. This funding is formula based with equal percentages going to the existing statewide Domestic Violence Shelter Program, Rape Crisis Program, Victim Witness Assistance Program and the Children's Programs.

California's Victim Compensation and Government Claims Board also received $8.1 million in Recovery funds to supplement their victims' compensation program for crime victims. These programs reimburse victims for crime-related expenses such as medical costs, mental health counseling, funeral and burial costs and lost wages or loss of support.

Homeland Security and Emergency Preparedness Grants

The U.S. Department of Homeland Security (DHS) has awarded more than $465 million to entities in California as grants for port and transit security initiatives, as well as fire station construction. These funds could have been more limited; however, in May 2009, Governor Schwarzenegger wrote to DHS Secretary Napolitano urging more flexibility in Federal Emergency Management Agency's (FEMA) guidance and eligibility criteria for the Assistance to Firefighters Station Construction Grants (SCG). Specifically, the Governor noted the need for a broader definition of "fire stations" and pointed out that local match requirements would hamper the economic stimulus realized from the program's investments. FEMA adopted guidance to specify that the construction of fire department operational areas (such as training and living space) are eligible costs and local cost shares will no longer be required under the SCG. This has made it easier for California's local fire stations to use stimulus money where they need it most.

At Governor Schwarzenegger's urging, FEMA guidance was revised making it easier for California's local fire stations to use stimulus money.

State Fiscal Stabilization Fund

Of the $48.6 billion in Recovery Act monies available to Governors for state fiscal relief through the State Fiscal Stabilization Fund (SFSF), 81.8 percent ($39.8 billion) is for education and 18.2 percent ($8.8 billion) supports discretionary spending for other government services. These funds are intended to help provide stability to state and local government budgets to reduce and avoid reductions in education and other essential public services. California's portion of these funds is $1.1 billion. With the Department of Corrections and Rehabilitation (CDCR) being such a sizeable portion of California's budget, Governor Schwarzenegger chose to spend all of the discretionary funds on the department, substituting CDCR's funding from the General Fund with stimulus money. As a result, money that was usually earmarked for CDCR could go towards stabilizing and closing California's budget deficit. Without these funds, thousands of CDCR jobs would have been at immediate risk elimination.

At Governor Schwarzenegger's urging, FEMA guidance was revised making it easier for California's local fire stations to use stimulus money.

Military and Department of Defense

The Recovery Act provides $4.3 billion in funding for the Department of Defense (DoD) Facilities Sustainment, Restoration and Modernization (FSRM) Program. This program invests in DoD facility improvements, including the repair of roads, roofs, barracks, family housing, medical facilities and buildings that support operational requirements, such as aircraft hangars or training sites, only in the United States. California military installations are set to receive a total of $361.2 million which will assist surrounding communities in their economic recovery by employing architects, engineers, craftsmen, laborers and suppliers.

The Recovery Act also provides $2.2 billion in funding for the DoD Military Construction (MILCON) Program. The MILCON program plays a significant role in providing the infrastructure to train, operate and achieve the national security goals of the United States while providing housing and other support to service members and their families. The capital investments made under MILCON, such as buildings, hospitals and family housing, represent much longer term improvements than those made under the FSRM program. California is set to receive $772.8 million in MILCON funding to construct a multi-story replacement naval hospital at Camp Pendleton.

Other Areas of Investment

AmeriCorps Grants

The Recovery Act includes $201 million in funding for the Corporation for National and Community Service to support an expansion of AmeriCorps State and National and AmeriCorps VISTA programs. More than three-quarters of AmeriCorps grant funding goes to Governor-appointed state service commissions, such as CaliforniaVolunteers, which in turn award and monitor grants to hundreds of non-profit groups and agencies. The other quarter goes to national non-profits that operate in more than one state.

The additional Recovery Act funding will allow more individuals to serve their communities while meeting critical community needs resulting from, or exacerbated by, the current economic crisis. Individuals currently unemployed will gain work experience and valuable skills and nonprofit organizations and communities negatively affected by the economic crisis will gain critical human resources. Activities include, but are not limited to employment and skills training; tutoring and literacy; financial planning; home foreclosures and housing assistance; healthcare access; non-profit capacity building; and volunteer generation and management. CaliforniaVolunteers has been awarded $3.6 million in Recovery formula grants and $5.8 million in Recovery competitive grants.

Arts

The Recovery Act provides $50 million nationally to be distributed in direct grants to fund arts projects and activities which preserve jobs in the nonprofit arts sector threatened by declines in philanthropic and other support during the current economic downturn.

Ninety-nine California nonprofit organizations have received nearly $4.5 million in direct federal grants. The California Arts Council (CAC) has awarded grants totaling over $470,000 to 29 additional organizations from the funds it received to provide additional support for the arts and arts education.

Farm Investment Funding

United States Department of Agriculture (USDA) has already obligated $173 million in Farm Operating Direct Loans to farmers across the country. California received a total of 69 such grants, totally nearly $5.7 million. These Recovery Act financed loans help farmers purchase equipment, feed, seed and fuel and support other operating expenses helping thousands of farmers and ranchers meet their spring deadlines for buying necessary supplies to complete their seasonal activities. Nearly 49 percent of loans have gone to beginning farmers and nearly 23 percent to socially disadvantaged farmers.

Tax Relief

The Recovery Act provides a range of tax-related programs to benefit California taxpayers, businesses and local governments. Californians will receive an estimated $30.2 billion in tax credits, tax rebates and increased exemptions and deductions on income tax returns. However, while these savings make up a majority of the benefit Californians will receive from the Recovery Act, they will not be realized until after tax season.

Tax Relief for Individuals

"Making Work Pay" Tax Credit

The Recovery Act provides tax cuts for more than 95% of working families in the United States. For 2009 and 2010, the Recovery Act provides a refundable tax credit of 6.2% of earned income, up to $400 for working individuals and $800 for working families.

Increase in Earned Income Tax Credit

The Recovery Act temporarily increases the earned income tax credit for working families with three or more children. Working families with two or more children currently qualify for an earned income tax credit equal to 40 percent of the family's first $12,570 of earned income.

Increase Eligibility for the Refundable Portion of Child Credit

The Recovery Act increases the eligibility for the refundable child tax credit in 2009 and 2010. For 2008, the child tax credit is refundable to the extent of 15 percent of the taxpayer's earned income in excess of $8,500. The Recovery Act reduces this floor for 2009 and 2010 to $3,000.

"American Opportunity" Education Tax Credit

The Recovery Act provides financial assistance for individuals seeking a college education. For 2009 and 2010, taxpayers receive a new "American Opportunity" tax credit of up to $2,500 of the cost of tuition and related expenses paid during the taxable year.

Refundable First-time Home Buyer Credit

In 2008, Congress provided taxpayers with a refundable tax credit that was equivalent to an interest-free loan equal to 10 percent of the purchase of a home (up to $7,500) by first-time home buyers. The Recovery Act eliminates the repayment obligation for taxpayers that purchase homes after January 1, 2009, increases the maximum value of the credit to $8,000 and adds other widening provisions to make the credit more available.

Sales Tax Deduction for Vehicle Purchases

The Recovery Act provides all taxpayers with a deduction for state and local sales and excise taxes paid on the purchase of new cars, light truck, recreational vehicles and motorcycles through 2009.

Temporary Suspension of Taxation of Unemployment Benefits

Under prior federal law, all federal unemployment benefits are subject to taxation. The average unemployment benefit is approximately $300 per month. The Recovery Act temporarily suspends federal income tax on the first $2,400 of unemployment benefits per recipient.

Tax Incentives for Businesses

Extension of Bonus Depreciation

Businesses are allowed to recover the cost of capital expenditures over time according to a depreciation schedule. In 2008, Congress temporarily allowed businesses to recover the costs of capital expenditures made in 2008 faster than the ordinary depreciation schedule would allow by permitting these businesses to immediately write-off 50 percent of the cost of depreciable property (e.g., equipment, tractors, wind turbines, solar panels and computers) acquired in 2008 for use in the United States. The Recovery Act extends this temporary benefit for capital expenditures incurred in 2009.

Election to Accelerate Recognition of Historic AMT/R&D Credits

Last year, Congress temporarily allowed businesses to accelerate the recognition of a portion of their historic AMT or research and development (R&D) credits in lieu of bonus depreciation. This amount is capped at the lesser of six percent (6%) of historic AMT and R&D credits or $30 million. The Recovery Act extends this temporary benefit through 2009.

Extension of Enhanced Small Business Expensing

In order to help small businesses quickly recover the cost of certain capital expenses, small business taxpayers may elect to write-off the cost of these expenses in the year of acquisition in lieu of recovering these costs over time through depreciation. Until the end of 2010, small business taxpayers are allowed to write-off up to $125,000 (indexed for inflation) of capital expenditures. In 2008, Congress temporarily increased the amount that small businesses could write-off for capital expenditures incurred in 2008 to $250,000 and increased the phase-out threshold for 2008 to $800,000. The Recovery Act extends these temporary increases for capital expenditures incurred in 2009.

5-Year Carryback of Net Operating Losses for Small Businesses

Under existing law, net operating losses (NOLs) may be carried back to the two taxable years before the year that the loss arises (the "NOL carryback period") and carried forward to each of the succeeding twenty taxable years after the year that the loss arises. For 2008, the Recovery Act extends the maximum NOL carryback period from two years to five years for small businesses with gross receipts of $15 million or less.

Incentives to Hire Unemployed Veterans and Disconnected Youth

Under existing law, businesses are allowed to claim a work opportunity tax credit equal to 40 percent of the first $6,000 of wages paid to employees of one of nine targeted groups. The bill would create two new targeted groups of prospective employees: (1) unemployed veterans and (2) disconnected youth.

Tax Relief for Infrastructure

Industrial Development Bonds (IDB)

Under current law, certain manufacturing facilities are eligible for tax exempt bond financing. The Recovery Act amends the definition of manufacturing facility to add any facility used in the manufacturing, creation or production of intangible property.

Advanced Energy Investment Credit

The Recovery Act establishes a new 30 percent investment tax credit for facilities engaged in the manufacture of advanced energy property. Credits are available only for projects certified by the Secretary of Treasury, in consultation with the Secretary of Energy, through a competitive bidding process. The program may allocate up to $2.3 billion in credits.

New Markets Tax Credit

Under current law, there are $3.5 billion of New Markets Tax Credits (NMTC) available for each of 2008 and 2009. The Recovery Act increases the available credits for 2008 to $5 billion and the available credits for 2009 to $5 billion. This provision is estimated to cost $815 million over 10 years.

Recovery Zone Bonds

The Recovery Act creates a new category of tax credit bonds for investment in economic recovery zones. The Act authorizes $10 billion in recovery zone economic development bonds and $15 billion in recovery zone facility bonds. These bonds will be issued during 2009 and 2010. Municipalities receiving an allocation of these bonds are permitted to use these bonds to invest in infrastructure, job training, education and economic development in areas within the boundaries of the state, city or county that has significant poverty, unemployment or home foreclosures.

Tribal Economic Development Bonds

The Recovery Act temporarily allows tribal governments to issue $2 billion in tax-exempt bonds for projects without this restriction in order to spur economic development on tribal lands and requires the Secretary of the Treasury to study whether this restriction should be repealed on a permanent basis.

Qualified School Construction Bonds

The Recovery Act creates a new category of tax credit bonds for the construction, rehabilitation or repair of public school facilities or for the acquisition of land on which a public school facility will be constructed. There is a national limitation on the amount of qualified school construction bonds that may be issued by state and local governments of $22 billion ($11 billion allocated initially in 2009 and the remainder allocated in 2010).

Extension and Increase in Authorization for Qualified Zone Academy Bonds (QZABs)

The Recovery Act allows an additional $1.4 billion of QZAB issuing authority to state and local governments in 2009 and 2010, which can be used to finance renovations, equipment purchases, developing course material and training teachers and personnel at a qualified zone academy. In general, a qualified zone academy is any public school (or academic program within a public school) below college level that is located in an empowerment zone or enterprise community and is designed to cooperate with businesses to enhance the academic curriculum and increase graduation and employment rates.

Tax Credit Bond Option for State and Local Governments (Build America Bonds)

The federal government provides significant financial support to state and local governments through the federal tax exemption for interest on municipal bonds. Both tax credit bonds and tax-exempt bonds provide a subsidy to municipalities by reducing the cash interest payments that a state or local government must make on its debt. Tax credit bonds differ from tax-exempt bonds in two principal ways: (1) interest paid on tax credit bonds is taxable and (2) a portion of the interest paid on tax credit bonds takes the form of a federal tax credit. The federal tax credit offsets a portion of the cash interest payment that the state or local government would otherwise need to make on the borrowing. For 2009 and 2010, the Recovery Act provides state and local governments with the option of issuing a tax credit bond instead of a tax-exempt governmental obligation bond.

Tax Relief for Energy

Long-term Extension and Modification of Renewable Energy Production Tax Credit

The Recovery Act extends the placed-in-service date for wind facilities for three years (through December 31, 2012). The Act also extends the placed-in-service date for three years (through December 31, 2013) for certain other qualifying facilities: closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; waste-to-energy and marine renewable facilities.

Removal of Dollar Limitations on Certain Energy Credits

Under current law, businesses are allowed to claim a 30 percent tax credit for qualified small wind energy property (capped at $4,000). Individuals are allowed to claim a 30 percent tax credit for qualified solar water heating property (capped at $2,000), qualified small wind energy property (capped at $500 per kilowatt of capacity, up to $4,000) and qualified geothermal heat pumps (capped at $2,000). The Recovery Act repeals the individual dollar caps. As a result, each of these properties would be eligible for an uncapped 30 percent credit.

Clean Renewable Energy Bonds (CREBs)

The Recovery Act authorizes an additional $1.6 billion of new clean renewable energy bonds to finance facilities that generate electricity from wind; closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; marine renewable and trash combustion facilities. This $1.6 billion authorization is subdivided into thirds: 1/3 is available for qualifying projects of state/local/tribal governments; 1/3 for qualifying projects of public power providers and 1/3 for qualifying projects of electric cooperatives.

Qualified Energy Conservation Bonds

The Recovery Act authorizes an addition $2.4 billion of qualified energy conservation bonds to finance state, municipal and tribal government programs and initiatives designed to reduce greenhouse gas emissions. The Act also clarifies that qualified energy conservation bonds may be issued to make loans and grants for capital expenditures to implement green community programs.

Tax Credits for Energy-Efficient Improvements to Existing Homes

The Recovery Act extends the tax credits for improvements to energy-efficient existing homes through 2010. For 2009 and 2010, the Recovery Act increases the amount of the tax credit from ten percent to 30 percent of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements during the taxable year. The Act also eliminates the property-by-property dollar caps on this tax credit and provides an aggregate $1,500 cap on all property qualifying for the credit.

Tax Credits for Alternative Refueling Property

The alternative refueling property credit provides a tax credit to businesses (e.g., gas stations) that install alternative fuel pumps, such as fuel pumps that dispense E85 fuel, electricity, hydrogen and natural gas. For 2009 and 2010, the Recovery Act increases the 30 percent alternative refueling property credit for businesses (capped at $30,000) to 50 percent (capped at $50,000). In addition, the Act increases the 30 percent alternative refueling property credit for individuals (capped at $1,000) to 50 percent (capped at $2,000).

Plug-in Electric Drive Vehicle Credit

The Recovery Act modifies and increases a tax credit passed into law at the end of last 2007 for each qualified plug-in electric drive vehicle placed in service during the taxable year. The base amount of the credit is $2,500. If the qualified vehicle draws propulsion from a battery with at least 5 kilowatt hours of capacity, the credit is increased by $417, plus another $417 for each kilowatt hour of battery capacity in excess of 5 kilowatt hours up to 16 kilowatt hours. The Act also restores and updates the electric vehicle credit for plug-in electric vehicles that would not otherwise qualify for the larger plug-in electric drive vehicle credit and provides a tax credit for plug-in electric drive conversion kits.

IV

Oversight Expenditure & Funding Information

Background—Recovery of Oversight Expenses From Federal Funds

A prominent feature of the Recovery Act is its emphasis on accountability and transparency—with Title XV devoted to this topic. Various Office of Management and Budget (OMB) memoranda further elaborate on the expectations and requirements. Among other conditions and mandates, Title XV and the OMB memoranda:

- Require Governors or other responsible officials to certify that infrastructure projects are fully reviewed and vetted pursuant to the law as a condition of receiving Recovery Act infrastructure funds.
- Create the Recovery Accountability and Transparency Board (RATB) comprised of inspectors general from various federal agencies to coordinate and conduct oversight of Recovery Act funds to prevent fraud, waste and abuse.
- Provide specific direction to the federal inspectors general regarding their duties to prevent, detect and rectify incidences of fraud, waste and abuse.
- Mandate that the RATB establish a public website that provides comprehensive information on how the Recovery Act funds were expended and what was achieved by those expenditures.
- Require recipients of Recovery Act funding to report substantial amounts of specific information.
- Require states to create websites of their own reporting Recovery Act activity.
- Protect whistleblowers from reprisals.
- Require regular reporting by RATB and the Government Accountability Office on Recovery Act implementation status.

In recognition of the costs to federal agencies of these expectations for accountability and transparency, the Recovery Act provided nearly a third of a billion dollars to RATB, federal inspectors general and the GAO for data collection and reporting, audits and investigations. However, the Recovery Act provided **no** funding for states to cover the substantial expenses they would incur in providing oversight and complying with federal reporting and accountability requirements.

The lack of funding for state oversight was recognized as a serious issue almost immediately after the Recovery Act's enactment. Given the considerable fiscal distress experienced by most states, their ability to fund significant new activities—such as Recovery Act oversight—was very problematic. In response, OMB issued Memorandum 09-18 on May 11, 2009. This memorandum administratively authorized 0.5 percent of eligible Recovery Act funds received by a state to be used for statewide oversight and reporting expenses. Initially, it appeared that the issue of state oversight funding had been adequately addressed, since 0.5 percent of all Recovery Act funds coming to the state would have been more than enough to cover even the most liberal estimate of funding necessary for adequate oversight efforts.

However, upon analysis, it became apparent that the OMB memorandum provided states with very little relief. There were two problems. First, a significant number of the approximately 300 Recovery Act funding provisions are governed by rules that statutorily or administratively prohibit or severely limit the amount of administrative costs that can be provided to states. Since OMB's guidelines for cost reimbursement cannot override program-specific rules in law or that are administratively established by other federal agencies, these programs could not be included in the "base" amount for computing the 0.5 percent oversight cost recovery. Secondly, OMB would only allow recovery of statewide oversight costs under the existing rules that govern such recovery for federal programs generally. These extensive and detailed rules are contained in OMB's Circular A-87 (A-87).

Under long-practiced federal rules, states may claim reimbursement for allowable costs for state departments and other offices that perform statewide functions that are essential to the overall administration of the state and benefit federal programs. Examples of such entities in California include the Bureau of State Audits, the State Controller's Office, the State Treasurer and the Department of Finance. Such entities are referred to as "central services agencies" (CSA) and a portion of their costs may be claimed as administrative overhead charges against federally funded programs. A-87 defines the cost principles that govern CSA costs and establishes detailed rules for determining whether costs are allowable, allocable, reasonable and necessary. A-87 rules are designed around typical federal programs that generally have been in existence for a number of years and are expected to continue.

The workability of the rules depends heavily upon histories of actual expenses for individual federal programs or activities, upon multi-year periods of time to amortize capital expenses against federal programs and upon the ongoing nature of the federal programs that allow for "settling up" or balancing out claims from one year to the next as final workload and accounting data are available to validate claims based on estimates. However, the programs in the Recovery Act are by their terms limited in duration. Consequently, when A-87 is applied to Recovery Act funds, many otherwise legitimate CSA expenses cannot be claimed, because there is no history of actual expenditures upon which to base them and no meaningful period for settling up between estimated expenses related to individual programs and the actual expenses for those programs. An initial analysis of how much of California's statewide oversight costs that would be eligible for recovery under traditional A-87 rules revealed that only about 10-15 percent of the state costs would be recoverable. Even though OMB recognized that the oversight work California planned to perform through the CRTF, IG, BSA and the SCO as legitimate Recovery Act CSA costs, the recovery rate under A-87 would fund little of those organizations' activities. As a result, state funds would have to be used to pay for the bulk of Recovery Act oversight costs. Other states analyzed their Recovery Act CSA recovery rates under traditional A-87 rules and reached similar conclusions.

This situation was a serious concern for many states. Massachusetts responded by proposing that OMB change several basic A-87 concepts to more appropriately reflect the realities of the Recovery Act and provide states with more flexibility in meeting the conditions for being granted reimbursement of their CSA oversight expenses. California, Arizona and Colorado joined Massachusetts in urging OMB to reconsider A-87. The effort of these four states was endorsed by the National Association of State Auditors, Comptrollers and Treasurers (NASACT) and by the National Association of State Budget Officers (NASBO). In July 2009 the four states fashioned a detailed proposal for changes to A-87 guidelines. Subsequently, they participated in many discussions with OMB and the Federal Division of Cost Allocation on the proposals components. Ultimately, on October 13, 2009, OMB issued memorandum 10-03 which revised certain provisions of A-87 to better align them with the unique nature of Recovery Act funding. As a result, California and the other states will now be able to recover a significantly larger amount of their oversight costs than would otherwise have been the case.

The emergence of this oversight cost recovery issue spurred a general review of how effective the state has been at recovering CSA costs in federal programs generally. That review has revealed that California's recovery efforts are not as effective as other states, resulting in state funds covering administrative expenses that rightfully could be paid from federal funds. Consequently, the Department of Finance has been working closely with state departments that are receiving Recovery Act funds and with those departments' federal counterparts to further increase recoveries. Combining this effort with the additional flexibility provided by OMB through its revisions to A-87, it is now anticipated that the state will recover approximately 62 percent of Recovery Act oversight and reporting costs for fiscal years 2008–09, 2009–10 and 2010–11. In addition, the improvements to the state's overall administrative cost reimbursement process that grew out of the intense review of Recovery Act (ARRA) cost recovery issues will materially benefit the state's General Fund in future years for non-ARRA federal programs.

OMB's changes to A-87 were a major and welcomed event with respect to the issue of funding state oversight expenses. However, in some cases, Recovery Act grants do not permit administrative charges and therefore statewide centralized services cannot be recovered from those grants nor can they be shifted to other programs/departments that allow these costs. In addition, in some instances, programs do allow administrative charges, but during the time this issue was being resolved, the money for those programs was exhausted and is no longer available to cover oversight and reporting expenses. Consequently, state funds will be necessary to cover a portion of Recovery Act oversight and transparency costs. The administration proposes that the General Fund be used to defray expenses in excess of those funded from federal oversight cost recovery, because of the general and statewide benefits of the oversight activity as well as the broad benefits to the General Fund from more than $8 billion in federal relief for programs previously funded by the General Fund. Continuing efforts resulting in additional recoveries will help defray this General Fund cost. Limiting the amount and level of oversight, reporting and transparency activities by the state could result in serious consequences. Per OMB Memorandum 9-21, federal agencies may on a case-by-case basis terminate, suspend and/or disqualify existing and future federal funding for failure to comply with Recovery Act reporting and transparency requirements.

Amended 2009 Budget Act Funding for Recovery Act Oversight

In June of 2009, the Legislature appeared to be nearing completion of its work on the state's budget for 2009–10. At that time, the amount of CSA recovery that would be realized under OMB's Memorandum 09-18 authorizing the 0.5 percent level of funding was not well understood. However, it appeared that a substantial portion and probably all of any oversight costs could be recovered. Also at that time, it was not clear what the magnitude would be of the federal reporting requirements or exactly how much and what types of workload would be required of the CRTF and other oversight agencies to fulfill their responsibilities for Recovery Act accountability and transparency. It is in that environment that the Administration requested that the budget include a $12 million General Fund loan to cover 2009–10 oversight costs for the CRTF, IG, BSA, SCO and the Department of Finance. The proposal was based on rough assumptions about oversight workload and assumed that all or nearly all costs would eventually be recovered through federal charges and the loan repaid. The Legislature reduced the amount of this request by half providing a $5.7 million General Fund loan. This loan amount is reflected in items 8855-011-0001 and 8860-001-0001 of the Amended 2009 Budget Act (Chapter 1, Statutes of 2009, Fourth Extraordinary Session). In addition, Provision 6 of Item 8860-001-0001 allocates the funding. Lastly, the Legislature included Control Section 8.55 to prescribe conditions for requesting any additional funding.

In summary, the Budget Act items and Control Section 8.55 provide:

- A $1.6 million General Fund loan to the BSA.
- A $4.1 million General Fund loan to the Department of Finance to be allocated as follows:
    - » Approximately $500,000 for the Office of State Audits and Evaluations within the Department of Finance.
    - » Approximately $500,000 to support the IG.
    - » $200,000 for operating expenses and equipment.
    - » $400,000 to support the CRTF.
    - » $2,500,000 for the CRTF to acquire, deploy and operate an information technology system necessary to meet federal reporting requirements and provide for public transparency of the use of Recovery Act funds.
- Authority for both the Director of Finance and the BSA to request additional funding if accompanied by a full explanation of the need for such funding.

- That the Director of Finance shall, at an appropriate time, provide the Legislature with a comprehensive plan for Recovery Act oversight and auditing anticipated for the entire period that those activities will be required.

This report is intended to meet the requirements outlined in Control Section 8.55 providing the comprehensive plan for Recovery Act oversight and auditing, including costs for Recovery Act statewide auditing and oversight activities of the BSA.

Proposed Funding for Recovery Act Oversight and Auditing

OMB Approval of Oversight and Auditing Plans and Costs. As a part of its submittal to OMB[1] requesting that a portion of Recovery Act award amounts be used to reimburse the state for oversight and reporting costs, the Department of Finance requested the CRTF, IG, BSA and SCO to submit a three-year plan for their activities covering 2008–09, 2009–10 and 2010–11. The plans prepared by those entities along with a proposed method of allocating costs to state departments receiving Recovery Act funding was submitted to OMB for approval on September 2, 2009. A funding summary of that plan is presented below. It is comprised of costs related to **audit activities** for the Office of Statewide Audits and Evaluations (OSAE) (working on behalf of the CRTF and IG), IG, BSA and the SCO totaling $20.7 million. It also includes costs for **oversight, reporting and transparency activities** for the CRTF, Office of Chief Information Officer (OCIO) (working on behalf of the CRTF), the Department of Finance's Fiscal System's and Consulting Unit (FSCU) and the SCO totaling $12.3 million.

Central Services Cost Estimate as reported to and approved by OMB

Entity	2008-09 1/	2009-10	2010-11	TOTAL
Oversight, Reporting and Transparency				
CRTF	$308,000	$1,662,000	$1,725,000	$3,695,000
OCIO 2/	96,804	2,801,580	1,114,220	$4,012,604
FSCU	36,000	105,000	64,000	$205,000
Audit Activities				
IG	$85,000	$1,599,000	$2,209,000	$3,893,000
OSAE 3/	127,862	1,540,570	1,950,804	$3,619,236
BSA	443,093	4,724,000	1,386,000	$6,553,093
SCO 4/	-	4,751,000	6,297,000	$11,048,000
Total	**$1,096,759**	**$17,183,150**	**$14,746,024**	**$33,025,933**

1/ Actual expenditures for 2008-09
2/ Development and maintenance of CAAT Database
3/ OSAE supports the CRTF and IG by providing evaluation and audit resources to both entities
4/ Includes audit costs of $6.6 million and local government reporting and transparency costs of $4.4 million

1 As used in this section, OMB also refers to the federal Division of Cost Allocation (DCA) which is the entity that provided approval of the ARRA Oversight and Audit Plan.

Ultimately, the plan was approved by OMB on November 5, 2009. The approval denotes OMB's explicit and tacit agreement that the activities described in the plan are consistent with the express and implied requirements and intent of Recovery Act and subsequent OMB directives regarding implementation.

After submittal of the plan, there were scores of follow-up phone and email inquiries and discussions between the Department of Finance and OMB regarding the plan. A number of revisions were made to the plan in the process, primarily regarding the methodology for allocating costs among the Recovery Act-recipient departments.

Ultimately, the plan was approved by OMB on November 5, 2009. The approval denotes OMB's explicit and tacit agreement that the activities described in the plan are consistent with the express and implied requirements and intent of Recovery Act and subsequent OMB directives regarding implementation.

Since approval of the plan, and with subsequent guidance and the benefit of experience gained thus far in implementing their responsibilities for oversight, reporting and transparency, the various oversight entities have reassessed the approaches and workload associated with executing their oversight and audit responsibilities. The result of that reassessment is a significant decrease in the overall expected three-year costs for oversight and reporting from the $33 million to $22.2 million (see revised central services cost estimate and comparison of costs in Figure IV-1).

Current Plans and Estimated Costs of Recovery Act Oversight and Auditing. The current three-year estimate of oversight costs is displayed in the following table and reflects a more complete understanding of the responsibilities for each oversight entity and the associated workload. The table also displays how much of the costs will be funded from federal oversight cost recovery and how much is proposed to be funded by the General Fund. Actual expenditures for CRTF, IG and BSA staff to direct and coordinate California's implementation of the Recovery Act, complete readiness assessments and implement measures to prevent and detect fraud, waste and abuse is reflected for 2008–09. While the OMB allows the state to recover those costs, this report does not seek approval to reimburse the state agencies that loaned resources and redirected staff to this effort during 2008–09.

Revised Central Services Cost Estimate

Entity	2008-09[1/]	2009-10	2010-11	TOTAL
Oversight, Reporting and Transparency				
CRTF	$568,666	$4,495,000	$3,992,000	$9,055,666
CRTF staff	(308,000)	(1,231,000)	(1,680,000)	($3,219,000)
OCIO[2/]	(96,804)	(2,686,000)	(1,442,000)	($4,224,804)
OSAE	(127,862)	(473,000)	(808,000)	($1,408,862)
FSCU	(36,000)	(105,000)	(62,000)	($203,000)
SCO	-	1,220,000	1,235,000	$2,455,000
Audit Activities				
IG	$85,000	$1,898,000	$3,388,000	$5,371,000
IG staff	(85,000)	(1,649,000)	(2,796,000)	($4,530,000)
OSAE	-	(249,000)	(592,000)	($841,000)
BSA[3/]	443,093	2,281,000	713,000	$3,437,093
SCO	-	677,000	1,185,000	$1,862,000
Total	**$1,096,759**	**$10,571,000**	**$10,513,000**	**$22,180,759**
SWCAP Recovery[4/]	-0-	$10,571,000	$3,237,000	$13,808,000
Balance Needed[5/]	-0-	-0-	$7,276,000	

Figure IV-1

1/ Actual expenditures for 2008-09
2/ Development and maintenance of CAAT database and Recovery website
3/ Estimated costs through December 2010.
4/ SWCAP recovery occurs quarterly. 2009-10 recoveries will fully repay the $5.7 million GF loans
5/ Estimated 2009-10 costs will be fully funded with the SWCAP recoveries

The following table provides a comparative overview of the original estimated costs as submitted to and approved by OMB to the total revised estimate based on the projected workload for each audit entity. These estimates have been refined based on input from each oversight entity and Finance's analysis of the workload necessary to support oversight activities proposed by the CRTF, IG, BSA and SCO.

Comparison of Initial and Revised Costs

Entity	Plan Approved by OMB	Revised Plan	Increase (+)/Decrease(-)
Oversight, Reporting and Transparency			
CRTF	$11,157,000	$9,056,000	- 2,101,000
CRTF Staff	(3,695,000)	(3,219,000)	(- 476,000)
OCIO	(4,013,000)	(4,225,000)	(+ 212,000)
OSAE	(3,244,000)	(1,409,000)	(- 1,835,000)
FSCU	(205,000)	(203,000)	(- 2,000)
Audit Activities			
IG	$4,268,000	$5,371,000	+ 1,103,000
IG Staff	(3,893,000)	(4,530,000)	(+ 637,000)
OSAE	(375,000)	(841,000)	(+ 466,000)
BSA	6,553,000	3,437,000	- 3,116,000
SCO	11,048,000	4,317,000	- 6,731,000
Total	**$33,026,000**	**$22,181,000**	**- 10,845,000**

While the projected costs for the remainder of the fiscal year have decreased significantly from the plan approved by the OMB, the costs estimates are greater than the General Fund loan authority included in Control Section 8.55. However, the initial loan did not include any costs for the State Controller which has responsibility for approval of Recovery Act disbursements, completion of local government Single Audits and local government reporting. In addition, time and experience now enable a more informed estimate of the workload associated with Recovery Act oversight for the CRTF, IG, BSA and SCO.

2009-10 Recovery Act Expenditure Authority Reconciliation For All Oversight and Audit Entities	
YTD Expenditures	$2,092,000
Balance to Year End	$8,479,000
Total	**$10,571,000**
Less Amount Provided in 8.55	- 5,700,000
Proposed Additional Authority	$4,871,000

Separate tables display the proposed funding and staffing for each oversight and audit entity for fiscal years 2009-10 and 2010-11. The workload that drives the proposed funding is presented in Section II of this report. However, preceding the tables for each entity is a summary of that workload along with additional information regarding staffing levels for the respective entities.

California Recovery Task Force. The CRTF was established to provide a broad framework for Recovery Act implementation promoting California's long-term economic recovery while providing for transparency and accountability in the use of the Recovery Act funds. Three staff constitute the management of the CRTF, including the Deputy Chief of Staff to the Governor, the Chief Operating Officer of the Department of Finance and the CRTF Chief of Staff. A core staff of ten other persons perform a variety of duties, including data collection and reporting activities, outreach, communication, research and analysis of Recovery Act issues, reviewing federal guidelines and instructions and drafting guidance and directives to state agencies on federal reporting and accountability requirements.

In addition to the direct staff of the CRTF, the Task Force uses both OCIO and Finance staff to support the accountability, transparency and other ad hoc activities of the CRTF. The OCIO is responsible for the development and maintenance of the CAAT database as well as the Recovery Act website. The OCIO staff also support a help desk to assist departments with their quarterly reporting requirements, and provide a clearinghouse function for technical issues and problems between state reporting entities and federal agencies. Finance's OSAE has been used to conduct readiness assessments and to investigate and evaluate emergent issues regarding internal controls and data reporting. Finance's FSCU unit is employed to work with various federal and state entities in determining oversight and audit costs that are recoverable through federal overhead charges and how those costs will be allocated to the various Recovery Act programs.

The following highlights major accomplishments achieved to date and are illustrative of the future activities and workload of the CRTF:

- The California Recovery Act website, which includes more than 155 documents and 900 pages of content including expenditure reports, readiness reviews, policies and procedures, support letters and Recovery Act event notifications, is viewed by approximately 1,700 people each week. Based on 8,000 weekly views each individual is accessing this information at least four times a week.
- Regular meetings with CRTF members provides a forum for guidance and a venue to discuss issues, address concerns, highlight progress and identify action items.
- Recovery Act Bulletins are issued regularly to provide instructions and guidelines to state agencies receiving Recovery Act funds. To date, 30 bulletins have been issued on a variety of topics. These bulletins supplement and clarify federal guidelines based on analysis of CRTF staff and clarification that has been sought on behalf of state agencies from the federal government.
- Outreach and stakeholder meetings with governmental, non-profit and private business groups to explain Recovery Act opportunities and to emphasize the importance of accountability for those that receive funds have been attended by nearly 2,800 individuals. These activities will continue to encourage California organizations, including minority, disabled and small business organizations to compete for Recovery Act grants. CRTF issued more than 125 press releases and 45 informational updates regarding Recovery Act as part of its transparency efforts.

- Readiness reviews were completed for 28 departments. Corrective action plans were required from the departments for areas of deficiency noted in the readiness reviews.
- Support federal 1512 reporting through the development of data collection and reporting tools currently supported by three ad hoc systems, which require significant manual processes to ensure successful upload into federal system. This system will be replaced with a single comprehensive system prior to the April 2010 quarterly report.
- In partnership with the OCIO, the CAAT system was designed and deployed to enable centralized reporting to the federal government. During the first quarter, California reported on 750 individual federal funding streams uploading more than 300,000 different data elements; 790 questions and comments were logged during the one-week review period; and the help desk logged 1,747 calls and 6,364 e-mails.

The table below presents estimated costs for the CRTF reflecting expenditures to date, projected expenditures for the remainder of 2009–10, and projected costs for 2010–11 based on continued oversight of Recovery Act funds by the CRTF.

Task Force	Positions (Full Year)	Estimated Costs		
		YTD thru 11-30-2009	Balance 2009–10	Projected 2010–11
Management	3.0	$192,000	$257,000	$516,000
Communications	2.0	29,000	112,000	203,000
Data Quality/Reporting	8.0	232,000	409,000	961,000
Readiness Reviews, Consultation, Quarterly Reviews (OSAE)	7.5	47,000	426,000	808,000
CAAT, Help Desk, Website (OCIO)	11.5	875,000	1,811,000	1,442,000
Central Services Cost Recovery (FSCU)	1.0	41,000	64,000	62,000
Total – Task Force	**33.0**	**$1,416,000**	**$3,079,000**	**$3,992,000**

Based on the expenditures to date and projections for the remainder of the 2009–10 fiscal year, the CRTF will require $3,351,000 (Central Services Cost Recovery Fund) to repay the General Fund loan authorized pursuant to Control Section 8.55 and an augmentation of $1,144,000 (also from the Central Services Cost Recovery Fund). A portion of these funds will be used to repay departments that have loaned positions to the Task Force. Total costs of $3,992,000 for 2010–11 are reflected in the Governor's 2010–11 Proposed Budget and are detailed in a separate Budget Change Proposal (BCP).

Task Force Reconciliation of 2009–10 Expenditure Authority	
YTD Expenditures	$1,416,000
Balance to Year End	$3,079,000
Total	**$4,495,000**
Less Amount Provided in 8.55	-3,351,000
Proposed Additional Authority	$1,144,000

Recovery Act Inspector General. The IG was established to deter, detect and disclose situations that result in fraud, waste, or abuse of Recovery Act funding to protect the integrity and accountability of these funds. In addition, the IG will need to continue close coordination with the state's other auditing entities and the GAO to ensure that they are not duplicating audit efforts. Five staff support the management of the IG's office, including the Inspector General, Deputy IG, Chief of Staff, Director of Risk Management and an Administrative Assistant to the IG. Two staff support inter- and intra-governmental relations and communications to avoid duplication, collaboratively address problems and work through administrative barriers that may limit the state's ability to suspend or withhold Recovery Act funds. The remaining IG staff support statewide accountability and oversight activities. These efforts include focused, short-term reviews based upon information that suggests occurrences of fraud, waste or abuse, and assistance to departments in implementing more robust monitoring programs to detect and deter incidences of fraud. In addition to the direct staff of the IG, the IG plans to use both Finance's OSAE and external contracts to supplement their reviews and investigative efforts.

The following highlights major accomplishments achieved to date and are illustrative of the future activities and workload of the IG:

- Conduct regular meetings with audit entities to provide a forum to highlight significant findings, suspected fraud, waste and abuse, and then to identify remedies or corrective actions.
- Participation in selected audit entrance conferences allows the IG to gain an understanding of the scope of the audit so that findings can be utilized more effectively.
- Provide training to state and local agencies on measures to avoid problems and prevent fraud, waste and abuse. Over 1,000 state and local agency staff attended seven events throughout the state and nearly 1,000 individuals viewed a single webcast of the training event.
- Work with state agency internal and compliance/program auditors to provide a forum for information sharing and development of best practices.
- Evaluate plans for oversight of the funds by departments for consistency and diligence in implementing those plans throughout the Recovery Act funding lifecycle. Baseline information was collected from departments in July 2009 and initial meetings were conducted with each department in August and September 2009.

- Monitor updates from state departments and agencies on all high-risk and problematic sub-recipients receiving Recovery Act funds. Initial lists were collected in October 2009, reviewed and analyzed by the IG staff and as needed initiate work with other departments that may be provide funding to the same recipient to prevent similar problems in the future.
- Track and respond to inquiries and complaints received on the IG's website. To date, the IG has received approximately 70 inquiries.
- Review findings in previous Single Audit reports to identify chronic and repeat areas of audit weakness and monitor department progress to correct those findings.

The table below presents estimated costs for the IG reflecting expenditures to date, projected expenditures for the remainder of 2009–10, and projected costs for 2010–11.

Inspector General	Positions (Full Year)	Estimated Costs		
		YTD thru 11-30-2009	Balance 2009–10	Projected 2010–11
Management	5.0	$222,000	$434,000	$659,000
Statewide Accountability External Contracts	14.0	37,000	760,000 100,000	1,789,000 200,000
Government Relations and Communications	2.0	3,000	93,000	148,000
Departmental Reviews; Statewide Guidelines, Research and Analysis (OSAE)	6.0	-	249,000	592,000
Total – Inspector General	**21.0**	**$262,000**	**$1,636,000**	**$3,388,000**

Based on the expenditures to date and projections for the remainder of the year to support the IG through the end of the fiscal year, the IG will require $749,000 (Central Services Cost Recovery Fund) to repay the General Fund loan authorized pursuant to Control Section 8.55 and an augmentation of $1,149,000 (also from the Central Services Cost Recovery Fund). A portion of these funds will be used to repay departments that have loaned positions to the Inspector General. Total costs of $3,388,000 for 2010–11 are reflected in the Governor's 2010–11 Proposed Budget and are detailed in a separate Budget Change Proposal (BCP).

Inspector General Reconciliation of 2009–10 Expenditure Authority	
YTD Expenditures	$262,000
Balance to Year End	$1,636,000
Total	**$1,898,000**
Less Amount Provided in 8.55	-749,000
Proposed Additional Authority	$1,149,000

State Controller's Office. As part of the SCO's responsibility for provision of sound fiscal control over both receipts and disbursements of public funds, the Controller will review all Recovery Act disbursements, review additional local government single audit reports, conduct high-value field audits and make public information regarding local government Recovery Act expenditures. Two staff support Recovery Act expenditure claim reviews before the disbursement of funds. Four staff beginning in January 2010 will conduct program audits targeted in state agency programs most at risk of expending funds inconsistent with Recovery Act requirements based on data collected through claim reviews, which began in November 2009. Beginning in April 2010, six staff will review additional local government single audit reports. One and a half staff support establishment of unique Recovery Act accounts within the state accounting system. Lastly, four staff, including both information technology and business staff, will work with the OCIO's office to develop a method for using data in the statewide CAAT along with data obtained from local governments to report on local government Recovery Act fund distribution and incorporate this information into the state's Comprehensive Annual Finance Report (CAFR).

The following highlights major accomplishments achieved to date; however, the majority of the work effort for the SCO begins with the local government Single Audits:

- Modify the state accounting system and claim schedule submission process to track and report information related to Recovery Act expenditures and implement a process to complete a full review of all Recovery Act claims schedules prior to disbursements. On average, the SCO receives and processes approximately 1,000 Recovery Act claims schedules each month.
- Findings from prior local government Single Audits were reviewed to assess where existing weaknesses in internal controls exist and where there is a high-risk of significant future audit findings.
- Issue advisories to local governments, LEAs, and companies that perform single audits to address audit requirements for 2008–09 Recovery Act expenditures. To date, three advisories have been issued.
- Planning activities with the OCIO have begun to define business requirements for local government reporting to ensure transparency of Recovery Act expenditures. As noted previously, modifications/replacement of CAAT will be completed for the April 2010 quarterly 1512 report and the SCO will utilize this data to present additional local government information on their website by June 30, 2010.

The table below presents projected SCO costs for 2009–10 and 2010–11.

State Controller	Positions (Full Year)	Estimated Costs	
		Projected 2009–10	Projected 2010–11
Claims Review	2.0	$185,000	$117,000
State Agency Audits	4.0	258,000	396,000
Local Government Single Audits	6.0	253,000	671,000
Local Reporting	4.0	1,068,000	1,072,000
State Agency Reporting	1.5	133,000	164,000
Total – State Controller	**17.5**	**$1,897,000**	**$2,420,000**

Based on the projected costs oversight, reporting and transparency activities for Recovery Act, the SCO will require $1,897,000 (Central Services Cost Recovery Fund) in 2009–10. Total costs of $2,420,000 for 2010–11 are reflected in the Governor's 2010–11 Proposed Budget and are detailed in a separate Budget Change Proposal (BCP).

State Controller Reconciliation of 2009–10 Expenditure Authority	
YTD Expenditures[1/]	-0-
Balance to Year End	$1,897,000
Total	**$1,897,000**
Less Amount Provided in 8.55	-0-
Proposed Additional Authority	$1,897,000

1/ The SCO has incurred some YTD expenditures related to ARRA beginning October 1, 2009, primarily on claims audits and planning activities related to their reporting and transparency efforts.

Bureau of State Audits. As the state's independent auditor, with statutory responsibility for the annual Single Audit—a key tool in achieving Recovery Act objectives for accountability and transparency—the BSA will conduct additional early testing and reviews of state agencies receiving Recovery Act funding. The BSA is conducting preparedness and internal control reviews as well as early testing of internal controls at state agencies administering federal programs with known weaknesses and those agencies that have not previously administered large federal programs. The BSA agreed to participate in an OMB pilot program using the early review and testing format the BSA initiated. The OMB established its pilot project to provide management and those charged with governance useful, timely and important information on internal controls so as to correct any indentified deficiencies early to ensure proper accountability and transparency for expenditures of Recovery Act awards.

The following highlights major accomplishments achieved to date and are illustrative of the future activities and workload of the BSA. In addition, the BSA submitted a separate report to the Joint Legislative Budget Committee providing their Oversight Plan on November 25, 2009.

- Completed a one-time analysis in April 2009 and designated the state's system for administering Recovery Act funds a high risk issue area and immediately initiated preparedness reviews and early testing of internal controls.
- Perform risk assessments that included a review of financial data from the state Recovery Portal, guidance from the OMB, federal reports and registers and the most recent Single Audit covering fiscal year 2007–08 to identify state agencies for early reviews and testing.

- Conducted preparedness and internal control reviews and issued the first interim report in June 2009 on four state agencies' preparedness to administer 13 Recovery Act-funded programs.
- Revise the BSA's website to allow the Legislature, state agencies, other audit entities and the public greater access to Single Audit and Recovery Act information.
- Accelerate the completion of the fiscal year 2008–09 traditional Single Audit work so that it can be issued by March 2010. Future Single Audits will also be accelerated to meet more aggressive reporting deadlines the OMB will likely require. This effort also will provide the federal and state oversight entities such as the IG and CRTF with timely, useful and important data on identified deficiencies and corrective actions taken.
- Completed two interim reports as of November 30, 2009, assessing two state agencies' administration of three programs to determine their compliance with certain federal laws and requirements related to Recovery Act funding and reporting. An additional report covering five more state agencies' administration of eight federal programs will be issued by December 31, 2009.
- By December 2009 issue a report on the State Energy Program administered by the Energy Commission, one of five Recovery Act-funded programs in an audit requested by the Joint Legislative Audit Committee.
- Participate in regular conference calls with the OMB, CSA, NASACT and other states to give and receive feedback on drafting federal guidance related to the Recovery Act and discuss related issues.
- Investigate or refer reports received under the California Whistleblower Protection Act alleging fraud, waste and abuse of Recovery Act funds.

Bureau of State Audits	Estimated Costs		
	YTD thru 11-30-2009	Balance 2009–10	Projected 2010–11 1/
Single Audit/Risk Assessment	$137,000	$1,244,000	$713,000
Early Testing	277,000	353,000	-
Investigations	-	270,000	-
Total – State Auditor	**$414,000**	**$1,867,000**	**$713,000**

1/ Estimated costs through December 2010.

Based on the revised costs to support Recovery Act audit activities through the end of the fiscal year, the BSA will require $1.6 million (Central Services Cost Recovery Fund) to repay the General Fund loan authorized pursuant to Control Section 8.55 and an augmentation of $681,000 (also from the Central Services Cost Recovery Fund). The BSA will request the additional $681,000 and any other funds it may need at a later date pursuant to subdivisions (c) and (f) of Control Section 8.55. In addition, estimates for 2010–11 only include single audit workload through December 2010. The Governor's 2010–11 Proposed Budget reflects an increase of $713,000 based on the information provided by the BSA. According to BSA, audit activities for January through June 2011 are not included in their expenditure plan because it would be premature to project these costs given the unknowns at this time.

Bureau of State Audits Reconciliation of 2009–10 Expenditure Authority	
YTD Expenditures	$414,000
Balance to Year End	$1,867,000
Total	**$2,281,000**
Less Amount approved in 8.55	-1,600,000
Proposed Additional Authority	$681,000

Summary of Oversight Funding Request

Oversight expenditures for 2008–09 totalled $1,096,759. While the OMB allows the state to recover those costs, this report does not seek approval to reimburse the state agencies that loaned resources and redirected staff to this effort during 2008–09. Instead, federal funding recovered for that year will be applied to expenses for the following fiscal year, as permitted under OMB rules. For 2009–10, this report respectfully requests $10,571,000 including $5.7 million from the Central Services Cost Recovery Fund to repay the initial General Fund loan and an increase of $4,871,000 also from the Central Services Cost Recovery Fund to support the audit activities outlined in this report.[2] These costs will be fully-reimbursed from the estimated $13.8 million that will be recovered through the Recovery Act Statewide Costs Allocation Plan. For 2010–11 the Governor's Proposed Budget includes $10,513,000 Central Services Cost Recovery Fund. Of this amount, $3.2 million will be recovered through the Recovery Act Statewide Cost Allocation Plan and $7.3 million will be paid from the General Fund. The CRTF, IG and SCO will also submit a separate Budget Change Proposal (BCP) to support this increase.

2 While BSA is included in this figure and the budget assumes this level of spending, they will separately request their funding and any other funds it may need at a later date pursuant to subdivisions (c) and (f) of Control Section 8.55

V

Conclusions

California faced significant challenges in implementing the many programmatic components of the Recovery Act, as did the other states and the federal agencies charged with disbursing the Act's funds. The Act's breadth and complexity strained many of state government's departments' ability to establish and administer new programs and requirements. The challenge was magnified by the need to move the Act's funding into the economy quickly, thus affording departments little time to redeploy existing resources to handle the massive new workload.

Accompanying this unprecedented economic stimulus program is an equally unprecedented expectation and requirement for transparency and accountability in the expenditure of public funds. As with implementing the programmatic components of the Recovery Act, the state faced significant challenges in deploying and funding the extensive accountability measures required both by the specific mandates in the Act and strong public expectations for accountability.

California state government responded to this challenge for accountability by establishing a framework for oversight, reporting and auditing that includes four entities with statewide oversight responsibilities, the California Recovery Task Force, the ARRA Inspector General, the Bureau of State Audits and the State Controller. Each of these entities has undertaken substantial new workload in a very short period of time. In many instances, whole new methods and structures had to be designed and implemented to collect and report data and to provide transparency in the use of funds.

To date, California state government has met the challenge for providing an accountability structure. As a percentage of funding that will come to the state through the Recovery Act, the cost of this accountability structure will be very small—approximately three-tenths of one percent (0.00026) or 5 percent of the 0.5 percent cap authorized by OMB. However, continued funding for this accountability effort must be authorized quickly. The failure to continue to support statewide accountability measures carries great risk. The absence of funding for these efforts would increase the likelihood of fraud, waste and abuse of public funds. In addition, failure to continue to meet federal mandates for reporting and transparency could result in the termination, suspension and/or disqualification for both existing and future federal funds.

VI

Appendices

A-1. Recovery Act Reporting

Section 1512 Reporting

Section 1512 of the American Recovery and Reinvestment Act (Recovery Act) requires that any recipient that receives Recovery Act funds through an appropriation made under the Act must submit a report no later than 10 days after the end of each calendar quarter. The first report was due within 180 days of enactment or October 10, 2009.

The Act states that the quarterly reporting must contain information such as the total amount of recovery funds received and expended along with a detailed list of all projects and activities. The project information must include the name of the project, a detailed description, an evaluation of the completion status, and an estimate of the number of jobs created and retained. Infrastructure projects required additional data such as the rationale for funding the project with Recovery Act funds, the total cost of the project and a contact name at the agency. Finally, detailed information on any subcontracts or subgrants awarded by the recipient had to be provided.

On April 1, 2009, the Office of Management and Budget (OMB) released their first set of required data elements as well as a request for comments. The list contained 21 required data elements for recipients and 11 data elements for sub-recipients. The Task Force provided a response on behalf of all the state agencies.

On June 22, 2009, OMB released an updated data dictionary that contained 57 recipient data elements, 23 sub-recipient data elements and 7 vendor data elements. The data dictionary was a supplement to OMB Memorandum M-09-21 which also included a list of the federal programs that were subject to 1512 reporting. The Task Force again provided feedback on behalf of all the state agencies.

On August 4, 2009, OMB issued the final version of the data dictionary. This final version contained 66 recipient data elements, 26 sub-recipient data elements and 5 vendor data elements. In addition, the list of federal programs subject to 1512 reporting was updated. However, even with this latest version, the program list continued to be updated on-line with no notification that changes had been made. As late as mid-September 2009, the list incorrectly included the Cobra Premium Assistance as subject to 1512 reporting.

Because many of the data element definitions were unclear, the Task Force continued to submit questions and requests for clarification to OMB. The Task Force participated in the National Association of State Budget Officers' sponsored conference calls in an effort to exchange information with other states and decipher federal guidance. OMB sponsored webinars to discuss the data elements and the reporting method, but as soon as some questions were answered, more were generated.

To add to the confusion, many federal agencies issued their own guidance and offered their own webinars to discuss the required elements. In some instances, the federal agency webinars were more helpful than those offered by OMB. In other cases, the federal agencies provided information that contradicted OMB's guidance. When OMB was presented with the conflicting advice, their response was to follow the federal agency's guidance.

California ARRA Accountability Tool (CAAT)

Early on, the Task Force made the decision to collect and report all Recovery Act required data on behalf of all state agencies. In OMB's April 3 memorandum, M-09-15, it was stated that federal agencies "should expect the State to assign a responsible office to oversee Section 1512 data collection to ensure quality, completeness, and timeliness of data submissions." The Task Force determined that collecting and reporting data centrally allowed careful monitoring of the quantity and quality of the reported data. It also promoted accountability and transparency since all the reported data would be displayed on the California Recovery website.

In July 2009, the Office of the Chief Information Officer (OCIO) began building the California ARRA Accountability Tool (CAAT). The Task Force had hoped to be able to purchase a product that would allow the state to meet the reporting requirements in an effective and cost-efficient manner. However, since the OMB required data elements were still in a state of flux and time was running short, the decision was made to develop an interim tool that would collect and report the required Section 1512 data. The CAAT would also be used to gather some additional data such as federal program information that would be displayed on the website.

CAAT was built to allow users to submit data through direct data entry by uploading an excel spreadsheet or by uploading an XML file. The initial version of CAAT was built and tested by selected users using the June 22 data dictionary. Once the August 4 data dictionary was released, all three methods of submitting Recovery Act data had to be updated and revised to delete those data elements no longer required and add the new data element names and definitions.

On August 17, 2009, all state departments which had received federal awards subject to 1512 reporting were requested to participate in CAAT's first data call. The data call was intended to work out any bugs in the CAAT system as well as give departments a chance to practice gathering and reporting the required information. The list of data elements is extensive and includes information that historically had never been collected or reported before. Information such as number of jobs created and retained and sub-recipient Data Universal Numbering System (DUNS) numbers are not typical data that state departments maintained in their grant files. The data call gave the departments a chance to test their own data collection polices and procedures.

The second data call was issued September 14, 2009. The CAAT team created a Help Desk to answer questions from the departments regarding CAAT and the data elements. The technical questions were handled by the CAAT team and the more complex data questions were forwarded to the Task Force staff.

On October 1, 2009, the CAAT system was again opened. Since California had decided to report data centrally, all Recovery Act data needed to be submitted and approved by the appropriate department personnel by October 5, 2009. This early cutoff date was imposed to ensure that there was sufficient time to upload all California data and correct any errors detected by the federalreporting.gov system.

Centralized Reporting

In late August 2009, it was discovered that the new federalreporting.gov system which was designed by OMB to collect all Recovery Act data was not built to accept data in a batch format. OMB had designed their data collection system on the premise that each recipient would report their data individually and that reports would be submitted one award at a time. The OCIO's office had reached out to the tech team who was responsible for building federalreporting.gov to discuss methods of reporting California's data in a batch format. It was during this initial contact that the CAAT team found out that the federal system was not designed to accept data for multiple awards. During subsequent conversations, OMB also found out that more than half of the states nationwide planned on reporting their data centrally.

The federalreporting.gov tech team immediately set out to build a process that would allow centralized states such as California to submit all their data under one batch file. The Task Force requested and was granted this special access from the Recovery Accountability and Transparency Board. In addition, the Task Force was invited to send two representatives to test the federal reporting system. California was one of only two states that were included in federalreporting.gov's final User Acceptance Testing.

October 2009 Initial Reporting

Several state departments such as the State Water Resources Control Board and the California Emergency Management Agency (CalEMA) volunteered to submit their Recovery Act data on October 1 to federalreporting.gov. While several of these early submitter's data was successfully uploaded to OMB, other department's reports were rejected due to various errors. The most common errors involved "invalid" DUNS numbers, Treasury Accounting Symbols (TAS) numbers and Catalog of Federal Domestic Assistance (CFDA) numbers. The majority of this data was later determined to be valid.

Because of California's large amount of data, the CAAT team was granted direct access to the federalreporting.gov tech team. This direct access allowed the CAAT team to help "debug" the federal system. The collaboration between the CAAT team and the federalreporting.gov tech team resulted in many technical errors being discovered and resolved prior to any impact to the users submitting data. In addition, by working directly with the federal tech team, many of the issues surrounding the TAS and CFDA errors were corrected. The federal system was updated to accept the valid TAS and CFDA numbers.

The DUNS numbers proved to be a more difficult issue. In particular, departments such as California Department of Education with hundreds of sub-recipients found that dozens of the reported DUNS numbers were being rejected. Since the federal system was built to reject an entire award if one DUNS number was invalid, it was proving difficult to get any awards with significant numbers of sub-recipients successfully uploaded.

The CAAT team was forced to use a service to validate all reported DUNS numbers. Once the numbers were validated, it would send the list to the federal tech team with a request to add the valid numbers to the federal database. The federal team would also try to validate the DUNS numbers through their own DUNS service.

The award would be resubmitted to federalreporting.gov and a new list of "invalid DUNS numbers" would be generated. This was a labor and time intensive process that resulted in awards being submitted multiple times in an effort to get them successfully uploaded. By October 9, all but 21 DUNS numbers of the more than 4,700 sub-recipients submitted had been accepted. On October 10 the data for those 21 sub-recipients was removed to ensure that the entire award data would be accepted by federalreporting.gov.

Updating Recovery Act Data

OMB's timeline included a period, October 11 – 21, 2009, where recipients could update their data to ensure the most accurate data was reported. Federal agencies could review this data and, if necessary, communicate any requested changes to their recipients. Also, any awards that had not been submitted during the initial reporting period were allowed to be submitted provided a late justification was provided. California had three awards submitted after the initial reporting period. An additional three awards were reported as late because the federal agency requested award number or contracting number changes. These changes caused the federal system to classify the report as new even though all the other data remained the same. At the end of this period, all Recovery Act data was again uploaded to the federal reporting system.

Federal Comment Period

The final reporting period, October 22 -29, 2009 was designed to allow the federal agencies to review all the data. If the federal agencies wanted any of the data elements changed, they would submit a comment into the federal system, an email would be generated to the recipient, and the record "unlocked" so that the recipient could make the requested correction. During this period, over 780 federal comments were received by the CAAT team. Each of these comments was logged by the CAAT help desk and an email was sent to the department to notify them of the federal agency comment. The majority of these comments requested changes to the federal agency codes and activity codes that had been reported. The federal agencies had not communicated which codes they wanted their recipients to use prior to this period. The result was that almost all of the awards in CAAT were unlocked, updated and uploaded again to federal reporting.gov.

Final Statistics

Total number of awards reported by California..........750
Number of award submissions...............................3,940
Total number of federal agency comments................789
Total number of CAAT Help Desk calls 1,747
Total number of CAAT Help Desk emails 6,364

Non-1512 Reporting

Departments have generally reported to federal agencies on the use of funds. Many federal agencies have required information on specific metrics. Caltrans reports monthly to the Federal Highway Administration and quarterly to the Transportation and Infrastructure Committee and the CalEMA submits an annual report to the Department of Justice. Reporting to federal agencies is not new, but it should be noted that the federal agencies did not reduce their reporting requirements with the addition of Section 1512 reporting requirements. As a result, departments were required to submit even more information than before and often the timing of the reports did not match Section 1512's timing. Therefore, in some instances, the same information is reported, but with different cut-off dates.

The Act also required additional reports such as Section 14008's requirement for an annual report on the State Fiscal Stabilization Fund that will not only include the same data as 1512 (such as uses of awarded funds and jobs created or retained), but additional information such as amount of tax increases averted and enrollment changes at institutions of higher learning.

Section 1511 Certification Requirements for Infrastructure Projects

Under Section 1511 of the Recovery Act, funds made available to state or local governments for infrastructure investments, must be certified by the Governor, mayor or other chief executive, as appropriate, that the infrastructure investment has received the full review and vetting required by law and that the chief executive accepts responsibility that the infrastructure investment is an appropriate use of taxpayer dollars. Such certification should also include a description of the investment, the estimated total cost and the amount of covered funds to be used, we well as posted on a website and linked to the federal website established by section 1526 (www.recovery.gov).

While OMB has issued standard award terms for agencies to use in implementing requirements under Sections 1512 (reporting), 1605 (Buy America) and 1606 (Davis Bacon) for grants, cooperative agreements and loans, they are not as yet planning to issue any formal guidance directly to state or local governments for Section 1511 certification. Instead, each federal agency is responsible for creating their own formal guidance, as appropriate, for potential infrastructure project funding through their programs. Additionally, no formal definition of what constitutes "infrastructure" has been provided by OMB, so each recipient must confer with their federal awarding agency.

Section 14008 Reporting Requirements for the State Fiscal Stabilization Fund (SFSF)

For each year of the SFSF program, California must submit a report to the U.S. Secretary of Education. As with Section 1512, the report requires a description of the uses of funds and the number of estimated jobs saved or created with the funds. Unlike Section 1512 reporting, however, the focus is less on recipient information, description of activity and evaluation of progress. It is more focused on the education assurances of the SFSF.

The section specifically identifies eight elements that each state must submit in their report. The report must describe:

1. The uses of funds provided under this title (i.e. SFSF) within the state;
2. How the state distributed the funds it received under this title;
3. The number of jobs that the Governor estimates were saved or created with funds the state received under this title;
4. Tax increases that the Governor estimates were averted because of the availability of funds from this title;
5. The state's progress in reducing inequities in the distribution of highly qualified teachers, in implementing a state longitudinal data system, and in developing and implementing valid and reliable assessments for limited English proficient students and children with disabilities;
6. The tuition and fee increases for in-state students imposed by public institutions of higher education in the state during the period of availability of funds under this title, and a description of any actions taken by the state to limit those increases;
7. The extent to which public institutions of higher education maintained, increased, or decreased enrollment of in-state students, including students eligible for Pell Grants or other need-based financial assistance; and
8. A description of each modernization, renovation and repair project funded, which shall include the amounts awarded and project costs.

The California Department of Education detailed several more elements that must be included. They want the state's progress in:

- Reducing inequalities in the distribution of highly qualified teachers;
- Implementing a state longitudinal data system;
- Developing and implementing valid and reliable assessments for limited English proficient students and children with disabilities;
- A description of each modernization, renovation and repair project funded, including the amounts awarded the project cots; and
- Reporting on tuition and fee increases and enrollment trends of in-state students for public institution of higher education.

A-2. Contracts & Procurement

Given the unprecedented size and scope of the additional monies flowing to the state, the Department of General Services (DGS) is tasked with identifying and overseeing contracts, procurement and several potential Recovery Act grant opportunities. The department has been well positioned to ensure that the combined efforts in Small Business, Procurement & Contracting and Real Estate Energy Efficiency programs benefit the public and are in accordance with several of the Governor's initiatives and goals including:

- Executive Order S-20-04 to reduce energy usage;
- AB-32 in helping the state reduce its green house emissions; and
- Executive Order S-02-06 to ensure that the state's procurement and contracting processes are administered in order to meet or exceed the 25 percent small business participation goal.

Consistent with the principles outlined in the Recovery Act, including the quick and transparent distribution of funds, DGS has offered Contracting and Procurement Guidance while ensuring appropriate levels of outreach and education about Recovery Act opportunities to small businesses and disabled veteran business enterprises (DVBE). DGS is gearing up to implement over $35 million dollars in Recovery Act funding for energy efficiency and retrofit projects in state buildings.

Small Business

The California Recovery Task Force recognizes the participation of small businesses and DVBEs as an essential and valuable component to the successful implementation of economic stimulus dollars in the State of California. To this end, the California Recovery Task Force is focused on implementing resources and activities to maximize Recovery Act opportunities for small businesses and DVBEs throughout the State of California.

The Small Business and DVBE Economic Recovery Plan is under development and is focused on actions to ensure strategic practices and appropriate levels of communication and education relative to contracting opportunities for Small Businesses and DVBEs in the State of California.

Recovery Act Small Business Outreach and Opportunities

Small and Disabled Veteran-Owned (SB/DVBE) businesses, which comprise 98 percent of all California firms and employ over half of the state's residents, will be the driving force behind the state's economic recovery. It is essential that these firms receive an equal opportunity to compete for these job-creating contracts which requires timely and accurate information about Recovery Act contracting opportunities in California. To that end, coordination with the DGS, Governor's Office, the Business, Transportation, and Housing Agency, Air Resources Board, as well as others have resulted in an extensive outreach effort and have provided web based information to potential SB/DVBE bidders.

Small Business outreach efforts include:

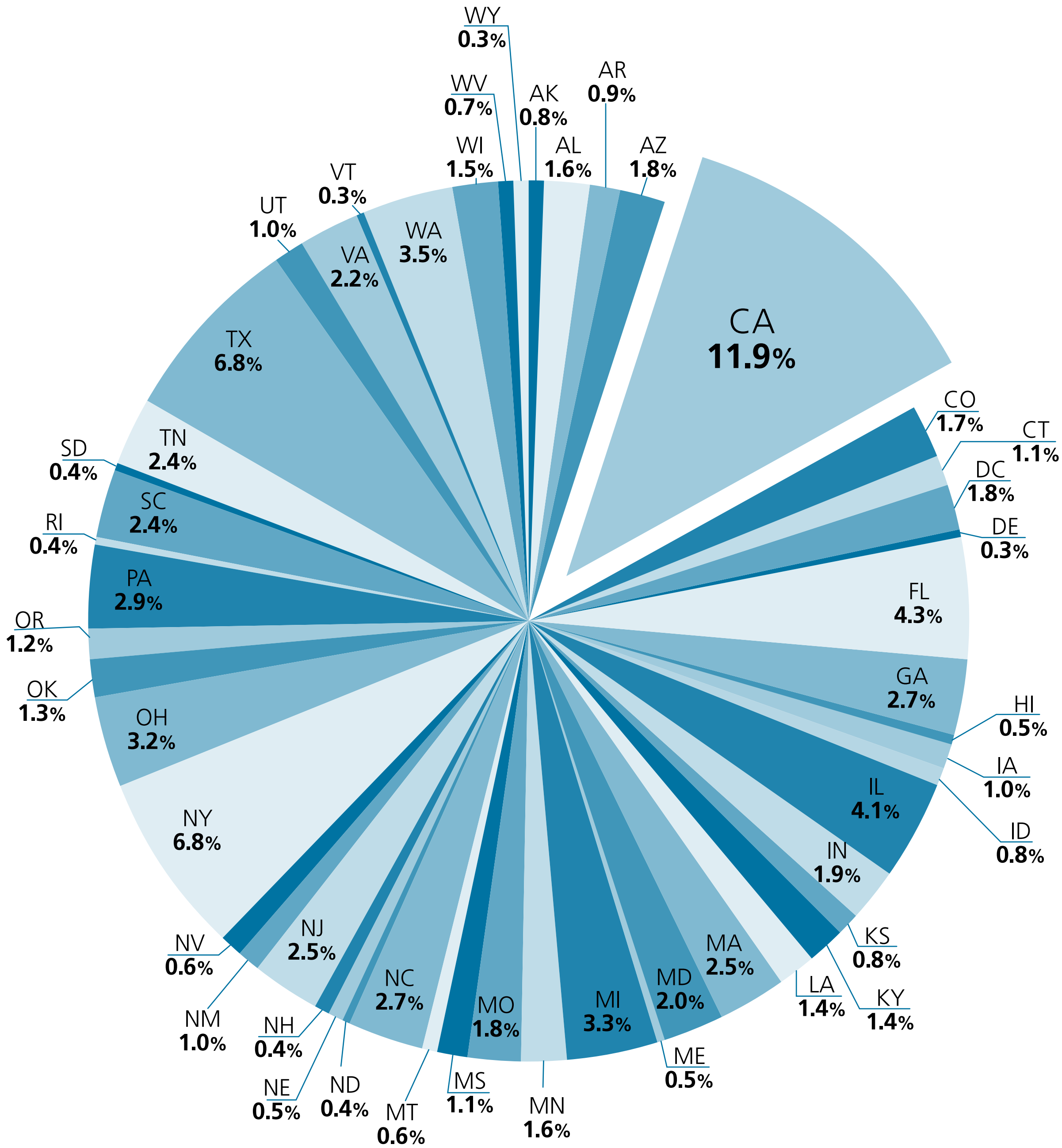
- Creating the Governor's Interdepartmental Working Group for Small Business Success
- Providing Recovery Act project information by web to CA SB/DVBE vendors through www.recovery.dgs.ca.gov. DGS links SB and DVBE vendors to state Recovery Act project information contained on www.recovery.ca.gov and www.recovery.org.
- Several Recovery Act focused outreach events have been conducted in conjunction with the Governor's Small Business Advocate. DGS has provided critical information as a key panelist at 10 Business Matchmaking Outreach Events held statewide since September 2009 to alert SB and DVBE firms about Recovery Act funded bid opportunities. Another 15 events are scheduled between January and July 2010.

Recovery Act State Contracting and Procurement Guidance

Under statutory authority (for the procurement of non-information technology goods and information technology goods and services, as well as statutory authority to approve non-information technology contracts in excess of certain dollar amounts), DGS has worked to assist Recovery efforts by expediting requests for spending authority and review of Recovery Act-related contracts in accordance with Recovery Act guidelines that call for spending federal funds both efficiently and quickly. Additionally, DGS works to delegate purchasing authority to individual state departments for non-information technology goods and information technology goods and services. DGS has developed guidance to aid agencies in procurement efficiency with Recovery dollars:

- Developed Supplemental Terms and Conditions (Ts & Cs) for use when conducting procurements and issuing contracts funded by the American Recovery and Reinvestment Act. The T's & C's were released via a DGS Broadcast Bulletin as well as a Recovery Act Bulletin.
- Developed narrative for Recovery.ca.gov and DGS websites for suppliers and agencies with information specific to the Recovery Act (i.e. finding bid opportunities, procurement vehicles to use, obtaining small business certification, etc.).
- DGS' Purchasing Authority Management Section (PAMS), which delegates procurement authority to agencies, has issued increased purchasing authority to support Recovery Act procurement efforts.

A-3. State Awards



Percentages calculated using "Recipient Award Summary by State" funds available subtotals as of 10/30/09 from www.recovery.gov.